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## The Day Ahead: Housing Data and The Fed

In the week just past, the bond market began by threatening to bounce toward higher rates after an impressive, 5-week rally to the lowest levels since 2017. The first sign of support appeared without any provocation other than "relatively higher yields." This is a good thing because it indicated traders were looking for an opportunity to step in and buy bonds without any additional motivation. They were looking to reinforce the range as opposed to ride a wave of momentum back to weaker levels.

In the week ahead, the bond market will get a more compelling cue regarding a potential range breakout. If there's one event that stands out, it's **Wednesday's Fed announcement**. This is also one of the meetings that includes updated economic projections (i.e. Fed member rate forecasts). While the Fed is admittedly not thrilled about providing such a thing (they're worried the market will read too much into it), there's no indication (yet) that they'll change the policy for this week.

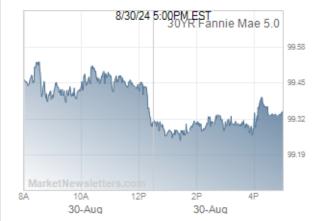
The Fed is not quite yet expected to cut rates at this meeting. If they did, it would be a surprise for most of the market and one that would almost certainly push rates lower. The baseline expectation is for no hike, a fair amount of verbiage change in the announcement, and a noticeable shift in the rate forecasts. If Fed members aren't seeing the 3-ish hikes in 2019 that the market is pricing-in, expect a bit of drama. That said, **Powell would likely push back** against that drama in the press conference that follows 30 minutes later.

In terms of technicals, the sideways range is fairly well-defined in the following chart (notice the resolute downtrend in yields last week after testing the ceiling on Tuesday). Although 2.19 had been our target for the most significant near-term ceiling (due to "the gap" at the end of May, following the Mexico tariff announcement), yields only managed to make it up to 2.18. That now serves as this week's ceiling with the floor being 2.06.

#### MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 5.0	99.35	-0.16
MBS GNMA 5.0	99.91	-0.04
10 YR Treasury	3.9039	+0.0424
30 YR Treasury	4.1932	+0.0468

Pricing as of: 8/30 5:59PM EST



#### Average Mortgage Rates

	Rate	Change	Points	
Mortgage News Daily				
30 Yr. Fixed	6.43%	+0.02	0.00	
15 Yr. Fixed	5.95%	0.00	0.00	
30 Yr. FHA	5.82%	+0.02	0.00	
30 Yr. Jumbo	6.62%	0.00	0.00	
5/1 ARM	6.28%	-0.01	0.00	
Freddie Mac				
30 Yr. Fixed	6.35%	-0.51	0.00	
15 Yr. Fixed	5.51%	-0.65	0.00	
Mortgage Bankers Assoc.				
30 Yr. Fixed	6.44%	-0.06	0.54	
15 Yr. Fixed	5.88%	-0.16	0.68	
30 Yr. FHA	6.36%	-0.06	0.85	

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	Rate	Change	Points
30 Yr. Jumbo	6.75%	+0.07	0.39
5/1 ARM	5.98%	-0.27	0.65
Pates as of 9/20			

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