



Stephen Moye

Sales Manager/Senior Loan Officer NMLS:
268619/CA-DBO268619, New American Funding Corporation. NMLS: 6606, Equal Housing Lender Licensed by the Department of Business Oversight Under the California Residential Mortgage Lending Act CA-DBO268619 Corp. NMLS: 67180 Equal Housing Lender 1615 Murray Canyon Road #1050 San Diego, CA 92108

Office: 619-309-1678
Mobile: 619-895-8128
Fax: (619) 793-1026
stephen.moye@nafinc.com
[View My Website](#)

The Day Ahead: Unexpected Headlines Result in Bond Market "Lead-Off"

In the day just past, bonds did absolutely nothing new or interesting. Yields continued to trade in a narrow, sideways range--one that has persisted for more than 2 weeks. The ostensible catalyst for a breakout was (and still is, in some ways) **tomorrow's Fed announcement** (and press conference and economic projections).

In the day ahead, we'll ponder what it means that bonds have managed to break out more than a day before the Fed's festivities begin. In fact, today qualifies as **confirmed "lead-off"** move. These happen frequently enough that we've created a primer on the topic in the [MBS Live](#) knowledge base ([here it is](#)). Long story short, bonds know the big pitch is coming in the form of tomorrow's Fed events, but for whatever reason, they're breaking out of the sideways range a day early.

Sometimes there is no easily identifiable reason for a lead-off, but in today's case, it's **clearly** the work of the European Central Bank. **Simply put**, Mario Draghi effectively promised more stimulus and rate cuts this morning. He also said this has already been discussed at the last meeting. The effect on European Bonds was obvious. Treasuries were pulled along for the ride. The chart below shows the EU vs US 10yr yields and throws in Fed rate expectations just so we can see that this move isn't about the Fed.

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



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

Rates as of: 8/30

And here's the effect on the range:



Rather than think of this as an early victory in the game that was set to be played tomorrow, it's better/safer to treat it like a last minute course correction. This may slightly alters the playing field but it doesn't change the outcome function for bonds. In other words, if the Fed is much more hawkish than markets expect, bonds would still likely weaken. Conversely, if the Fed signals a rate cut in July and the likelihood of additional cuts in 2019, **game on**.

Subscribe to my newsletter online at: <http://housingnewsletters.com/stephenmoye>

thanks for visiting this site

thank you for coming to website. Having been a loan officer for 20+year...I know first hand how important it is to stay on top of the news and event that effect mortgage rates, regulation, and program guidelines. Let this web site be a resource for you.

New American Funding CA-DBO268619 Corp. NMLS: 6606

Equal Housing Lender

Licensed by the Department of Business Oversight Under the California Residential Mortgage Lending Act

Stephen Moyer

