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The Day Ahead: Start Preparing For Bigger Moves Ahead

In the day just past, bonds initially extended the post-Fed gains with 10yr yields briefly hitting 1.973% before bouncing to end unchanged on the day. The selling was almost exclusively motivated by technicals and trade flows with the average bond trader actively looking out for a correction ahead of the important week of data at the beginning of July. That's the week that will do the most to inform a Fed policy shift going forward.

In the day ahead, bond traders will continue actively looking out for a correction! Please be advised that a brief correction in the next 2 weeks is not only a strong possibility, but would also be a bit sharper than you're used to. That's because the move seen so far in 2019 has effectively entered the bond market into a high stakes game--one that's seen remarkably quick shifts in momentum and where 10-20bps of movement in a week is not uncommon.

Each time 10yr yields have visited 2.0%, two adjacent levels jump out as the best candidates for support and resistance. Metaphorically speaking, if 10yr yields are like a train that just pulled into the station at 2.0%, the next station in either direction is at 1.7% and 2.36%.



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

I'm not saying any of this to advocate one particular stance over another. The only goal is to prepare for volatility. To reiterate my message yesterday, it seems like an obvious time for bonds to have a bit of a correction before digesting early July data. Unless that data threads the needle between arguing for expansion vs contraction, that's when volatility is more likely to hit its stride.

	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

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