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The Day Ahead: Markets Look to Powell to Confirm (or Reject) Outlook

In the day just passed, bonds weakened slightly but remained inside the recent range. The weakness is in line with a linear trend leading to the upper end of the range following Friday's strong jobs report. We can assume that the willingness to remain range-bound reflects the uncertainty surrounding today's key events.

In the day ahead, the market's attention will be squarely **focused on Powell's congressional testimony** which begins at 10am ET. He'll be reading prepared remarks that have already been released and proven to be a big source of gains for bonds earlier this morning. Whereas yields were pushing up and out of the recent range overnight, the Powell speech easily brought them back in line.

It could be the case that traders **already have** what they wanted from Powell without needing to hear it off the cuff in response to a congressional question. But Powell could just as easily let something slip about rate cuts being far from guaranteed, or worse yet, that he thinks markets are overestimating rate cut odds. The range of possibilities is generally outlined below. 2.07 and 1.975 have been the key levels for the most recent stint of recurring highs/lows. But given that we're beginning the day much closer to 2.07%, it would make more sense to treat 2.12% as an upper baseline in the event of serious selling pressure.

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

The Fed will also release the **minutes** from its most recent policy meeting at 2pm. After hearing what Powell has to say in the morning, there's likely not much else that the minutes will be able to offer apart from a modest course correction. The **10yr Treasury auction** at 1pm can also move the needle to some extent, but wouldn't be a range-breaking event unless it comes out exceptionally strong/weak. Even then, we'd need to be pretty close to a range boundary for that to occur.

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