

THE FEDERAL SAVINGS BANK



Co. NMLS# 411500



Ted Rood

Mortgage Banker, Homesite Mortgage LLC
 NMLS #543290
 2299 Technology Drive, Suite 2A5 O Fallon, Missouri

Office: 3147400004
 Mobile: 314-740-0004
ted_rood@yahoo.com

A Message from Ted Rood:

"Bonds trying their best to break through resistance to lower rates. Let's see where they're at after tomorrow's Fed statement!"

The Day Ahead: Bonds Running Into Same Rate Floor Ahead of Fed

Fed day tomorrow! We'll finally get to see what's what with respect to recent speculation and a factual shift in tone from several Fed members (including Powell). But we have a day and a half of trading to get through before that happens.

As today's trading ramps up, we're seeing **starkly clear confirmation** of the consolidation range that I can't stop talking about over the last week and a half. The boundaries are now clearly set at 2.92% overhead (successfully defended as a ceiling on Wed/Thu last week) and 2.82% (which has offered several floor bounces starting on December 6th).

2.82% is highlighted on the chart because that's the boundary we're closer to this morning. In fact, yields bounced there in the overnight session, and from a purely technical standpoint, that **doesn't** bode incredibly well for the rest of today's momentum. The suggestion is that yields will retreat back into this well-established range and wait for tomorrow's Fed events to vote on a breakout.

Beyond today's trading, the momentum technicals are decidedly 'overbought,' which **increases the risk** of an unfriendly bounce.

MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 5.0	99.37	+0.02
MBS GNMA 5.0	99.93	+0.02
10 YR Treasury	3.9068	+0.0029
30 YR Treasury	4.1960	+0.0028

Pricing as of: 9/17:34PM 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
30 Yr. Jumbo	6.75%	+0.07	0.39
5/1 ARM	5.98%	-0.27	0.65

Rates as of: 8/30



None of this is to say that rates **couldn't** break below 2.82% and continue rallying after the Fed. It really **depends** upon what the Fed says and how they adjust their rate forecasts. Rather, the technicals simply suggest that--all other things being equal--there is more latent momentum waiting to push yields higher versus lower. That's worth considering for those who are on a fence with respect to lock/float strategy heading into tomorrow.

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