



## Rich E. Blanchard

Managing Director, RICH Home Loans LLC

NMLS: 492461

1550 Wewatta St., 2nd Floor Denver, CO 80202

Office: 720.619.9900

Mobile: 303.328.7047

Fax: 214.975.2874

[richblanchard@richhomeloans.com](mailto:richblanchard@richhomeloans.com)

[View My Website](#)

## The Day Ahead: Not So Much About The Hike As It Is About All The Other Stuff

Sometimes we approach days with big-ticket events with great anticipation only to be let down by the amount of excitement offered. Today is a bit **different** though. This isn't "just another" jobs report with the power to quickly push rates higher or lower. This is the Fed announcement that will implement the first move up from a zero policy rate, EVER.

All of the expectation, preparation, and "pricing-in" of such a thing **can't quite prepare** markets for the moment when the thing itself finally shows up. It's one thing to log countless hours in the batting cages, but another altogether to step up to the plate under the lights with the game on the line.

OK, so **THE** game probably isn't on the line today, but you get the point. Expectation vs confirmation.

More than the hike itself, markets will take cues from the **surrounding festivities**. Every other Fed meeting, these include the economic projections (aka "dots" due to the dot plot the Fed publishes to visually convey the projections for the Fed Funds rate), and the press conference. The dots will be immediately scrutinized to determine if the committee, as a whole, is expecting a gentler path of rate hike.

The text of the announcement and Yellen's press conference will be watched closely for cues on the remaining questions. Expect some savvy reporter to remind Yellen that the Fed has previously said that it would **curtail reinvestments** from its existing holdings after the first rate hike. With today being the first rate hike, that question is now in play. How she answers will be critical for MBS vs Treasuries. The Fed has previously slipped up in how much disdain it's shown for its MBS portfolio. Any similar slip (like when Bernanke said the Fed wanted to get back to a primarily Treasury portfolio) would account for any underperformance in MBS that would otherwise be puzzling.

To be sure, in the event of any sort of big rally, **MBS will underperform**. That's just the way it is Treasuries are more nimble, reactive, and liquid. They will noticeably sell/rally more unless we get that MBS-specific clue (it's not especially likely that we will get a solid clue, but it's something to keep an eye out for).

## MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	99.47	<b>+0.15</b>
MBS GNMA 6.0	100.30	<b>+0.22</b>
10 YR Treasury	4.6148	<b>+0.0053</b>
30 YR Treasury	4.7117	<b>-0.0041</b>

Pricing as of: 4/23 6:28AM EST



## Average Mortgage Rates

	Rate	Change	Points
<b>Mortgage News Daily</b>			
30 Yr. Fixed	7.43%	<b>-0.01</b>	0.00
15 Yr. Fixed	6.85%	<b>0.00</b>	0.00
30 Yr. FHA	6.91%	<b>-0.01</b>	0.00
30 Yr. Jumbo	7.62%	<b>0.00</b>	0.00
5/1 ARM	7.40%	<b>-0.01</b>	0.00
<b>Freddie Mac</b>			
30 Yr. Fixed	7.10%	<b>-0.34</b>	0.00
15 Yr. Fixed	6.39%	<b>-0.37</b>	0.00
<b>Mortgage Bankers Assoc.</b>			
30 Yr. Fixed	7.13%	<b>+0.12</b>	0.00
15 Yr. Fixed	6.64%	<b>+0.18</b>	0.64
30 Yr. FHA	6.90%	<b>+0.10</b>	0.99
30 Yr. Jumbo	7.40%	<b>+0.27</b>	0.46
5/1 ARM	6.52%	<b>+0.11</b>	0.60

Rates as of: 4/22

Apart from that, the tenor of the trading day will mostly be determined by that which defies preparation and analysis. The so-called trader's world. **Traders gonna trade** how traders gonna trade, if you will. Traders have goals and if/then scenarios ready to go for multiple eventualities tomorrow. It's as if a team of domino enthusiasts have set up a world record domino track in the dark. Tomorrow's market reaction to the Fed will be like the first domino being knocked over right as the lights are turned on for the first time.

One point of order: Keep in mind that many lenders won't even be taking locks at 2pm. Others will freeze sheets at the first sign of weakness. **Nearly all** will be more conservatively priced than normal out of the gate.

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## Expert Advice | Exceptional Service | Flawless Execution

With 27+ years of expertise in mortgage banking you can be confident in my knowledge and abilities to deliver a seamless loan transaction while providing personalized service.

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