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## The Day Ahead: Bonds Fight to Hold Technical Support

- bond markets still holding the range, but pressure is increasing
- momentum studies are close to confirming negative shift
- Trade flows, technicals, and related markets (read: stocks/oil/Europe) continue to trump econ data

Although Friday's trading session offered tempting positivity (i.e., we rallied after 5 sessions of relative weakness), yesterday showed that the gains were merely incidental--more to do with position-squaring ahead of a volatile weekend. In other words, Friday was good because traders were **taking their negative chips off the table**, but they were only doing that as a short-term strategy to avoid the risk of a big move over the weekend. When markets didn't go crazy over the weekend, traders put the negative chips back on the table and we're right back to the same old line in the sand.

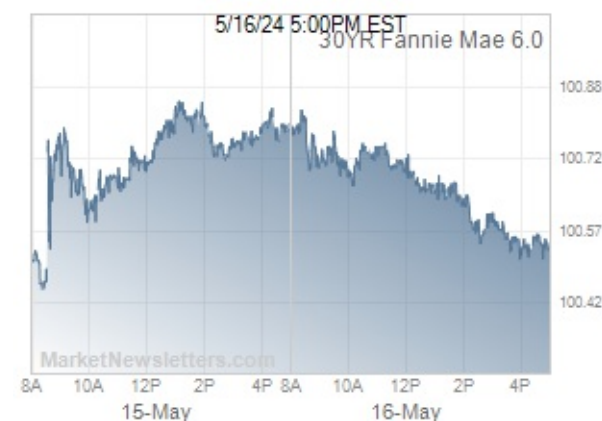
(Note: trading positions can be thought of like betting with poker chips. The key difference from real life is that there are positive and negative bets. In other words, you can bet on rates rising or falling.)

The specific line, in this case, corresponds well with the 10yr range boundary we've been tracking at 1.80. At the moment, this is also the 21-day exponential moving average. Breaking above it would mean confirmation for negative technical momentum and holding below would see those technicals start to break down.

## MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.55	<b>-0.25</b>
MBS GNMA 6.0	101.31	<b>-0.18</b>
10 YR Treasury	4.3148	<b>-0.0257</b>
30 YR Treasury	4.4784	<b>-0.0282</b>

Pricing as of: 5/16 5:59PM EST



## Average Mortgage Rates

	Rate	Change	Points
<b>Mortgage News Daily</b>			
30 Yr. Fixed	7.02%	<b>+0.03</b>	0.00
15 Yr. Fixed	6.53%	<b>+0.03</b>	0.00
30 Yr. FHA	6.55%	<b>+0.03</b>	0.00
30 Yr. Jumbo	7.31%	<b>+0.01</b>	0.00
5/1 ARM	7.24%	<b>+0.04</b>	0.00
<b>Freddie Mac</b>			
30 Yr. Fixed	7.02%	<b>-0.42</b>	0.00
15 Yr. Fixed	6.28%	<b>-0.48</b>	0.00
<b>Mortgage Bankers Assoc.</b>			
30 Yr. Fixed	7.08%	<b>-0.10</b>	0.63
15 Yr. Fixed	6.61%	<b>+0.01</b>	0.65
30 Yr. FHA	6.89%	<b>-0.03</b>	0.94
30 Yr. Jumbo	7.22%	<b>-0.09</b>	0.58
5/1 ARM	6.56%	<b>-0.04</b>	0.66

Rates as of: 5/16



Even if 1.80 breaks, it's not the end of the world--more like the alarm that says the end of the world could be coming. It would take a convincing break above 1.84 for the technical picture to look its worst.

It's these **technical considerations** (the math-based models/charts that track trends, momentum, and key trading levels), along with the aforementioned tradeflow considerations (i.e. traders' strategy with the "poker chips" referenced above) that will drive bond markets as opposed to the traditional considerations like economic reports and other fundamentals.

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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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