



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

[View My Website](#)

MBS Recap: ECB Threatens Market's Allowance; Markets Pout

Let's be real. Asset purchases by major central banks are effectively an allowance for financial markets--free money that they know will be coming in each month in predictable amounts. Markets are so entitled by now that they've taken to writing their own calendar for the allowance payments.

The current conversation surrounds today's European Central Bank (ECB) announcement and the press conference with ECB President Draghi that followed. Although markets didn't expect the announcement itself to contain any major changes, they were **sort of hoping** for Draghi to throw a bone regarding the extension of the central bank's asset purchase program, currently scheduled to end in March 2017.

Draghi threw no bones. Neither did he make any bones about the fact that negative interest rates were a necessary but temporary evil. Both of those assertions are debatable, but markets were most focused on the absence of a soothing promise of additional allowance money. Thus, bonds sold off, unwinding all of the gains seen in the wake of Tuesday's ISM Services data.

As is **almost always** the case with these internationally-inspired market movers, Treasuries take the brunt of the move as far as US rates are concerned. MBS fared better, but nonetheless lost 6 ticks by the end of the day and a full quarter point at the weakest levels.

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MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.55	-0.25
MBS GNMA 6.0	101.31	-0.18
10 YR Treasury	4.3915	+0.0146
30 YR Treasury	4.5344	+0.0283

Pricing as of: 5/17 6:47AM EST



Average Mortgage Rates

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

Rates as of: 5/16

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