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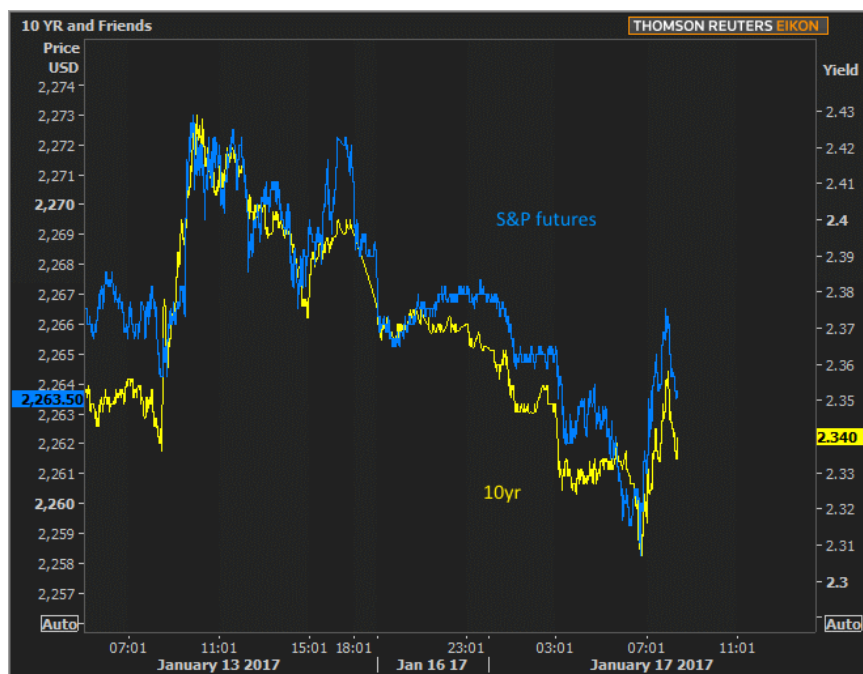
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The Week Ahead: For Bonds, Still About Stocks and "The Range"

January continues playing host to the same level of stock/bond correlation that we typically see at the end and beginning of any given year. Beyond calendar considerations, we also see this behavior during times of uncertainty where investors **huddle together** and make similar, broad moves toward and away from "risk."

While the resulting correlation is far from perfect (there are definitely noticeable departures from the trend), it has been strong enough to keep stocks in mind when considering the forces acting on bond markets at the moment--**especially** on a day to day basis (bigger picture correlations never look as good).



And then there's "**the range**." We've been following a range in 10yr yields between 2.42 and 2.34%. Indeed, those continue to be important technical pivot points--especially in terms of daily closing levels (the one mark per day that carries the most weight for longer term technical analysis). But the intraday yield movements suggest following a **slightly wider range** of 2.308 to 2.43%. Either way, we've descended into this sideways purgatory to start 2017 and continue to wait for a breakout.

MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.08	-0.20
MBS GNMA 6.0	101.02	-0.13
10 YR Treasury	4.4978	+0.0417
30 YR Treasury	4.6405	+0.0320

Pricing as of: 5/10 5:04PM EST



Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.16%	+0.01	0.00
15 Yr. Fixed	6.64%	+0.01	0.00
30 Yr. FHA	6.62%	+0.01	0.00
30 Yr. Jumbo	7.40%	+0.01	0.00
5/1 ARM	7.33%	-0.01	0.00
Freddie Mac			
30 Yr. Fixed	7.09%	-0.35	0.00
15 Yr. Fixed	6.38%	-0.38	0.00
Mortgage Bankers Assoc.			
30 Yr. Fixed	7.24%	+0.11	0.66
15 Yr. Fixed	6.75%	+0.11	0.64
30 Yr. FHA	7.01%	+0.11	0.94
30 Yr. Jumbo	7.45%	+0.05	0.56
5/1 ARM	6.64%	+0.12	0.87

Rates as of: 5/10



This week is relatively light in terms of scheduled economic data overall, but Wednesday and Thursday as individual days are fairly active. The Consumer Price Index (CPI) is the **first top shelf report** of the week on Wednesday morning as investors are on high alert for signs that inflation is ramping up. Shortly thereafter, Industrial Production is expected to reverse course from last month's negative reading (+0.6 vs -0.4 previously). We'll get the less important Housing Market Index later that morning.

Thursday brings a trio of reports at 8:30am: Housing Starts/Permits, Philly Fed, and Jobless Claims. **None** are top tier market movers, but if they all tell the same story about the economy, they **wouldn't** be insignificant.

In addition to the data, the schedule will be dotted with various Fed speeches. These are the wild cards for the week, especially in light of **newer, scarier** topics being brought to the table last week regarding the potential for winding down the Fed's reinvestments from its bond holdings. We'll address that topic in greater detail if it materializes as a legitimate near-term consideration.

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