



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](#)

The Day Ahead: Bonds Continue Following Risk Trade, Even if it Means Breaking The Range

Yesterday, it became increasingly clear in the middle of the trading session that bond markets were responding to the **"risk-off"** trading motivations associated with the North Korea news. If you're not sure what "risk-off" refers to, [read this primer](#). And if you're not up to speed on the North Korea news, read [yesterday's recap](#).

The most widely-followed indicator for risk-on/off trading is Yen/\$-- Japanese currency in terms of US dollars. What does Japanese currency have to do with the general concept of global investment risk? That's a **great question**. It doesn't have much to do with the economic or monetary policy of Japan as a country, but rather the role that Yen has grown to fill based on Japan's market interaction with the US.

Currency markets are open more than any other financial market. They are highly liquid and easy for investors of all stripes to participate in. As long as anyone who's watching has been alive, Japan and the US have had strong ties in the trading world. When US bond markets make a big move (say, due to a "risk-on/off" scenario?), Yen will respond.

In fact, because of that liquidity and participation mentioned above, Yen can respond **much more quickly** and with more granular detail. Check out a tick-by-tick chart of the two (same yellow and orange labels from the above chart). Bottom line, for every move in Treasuries, there are 10's to 100's of moves in Yen.

MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.40	-0.15
MBS GNMA 6.0	100.78	+0.04
10 YR Treasury	4.4223	+0.0454
30 YR Treasury	4.5610	+0.0549

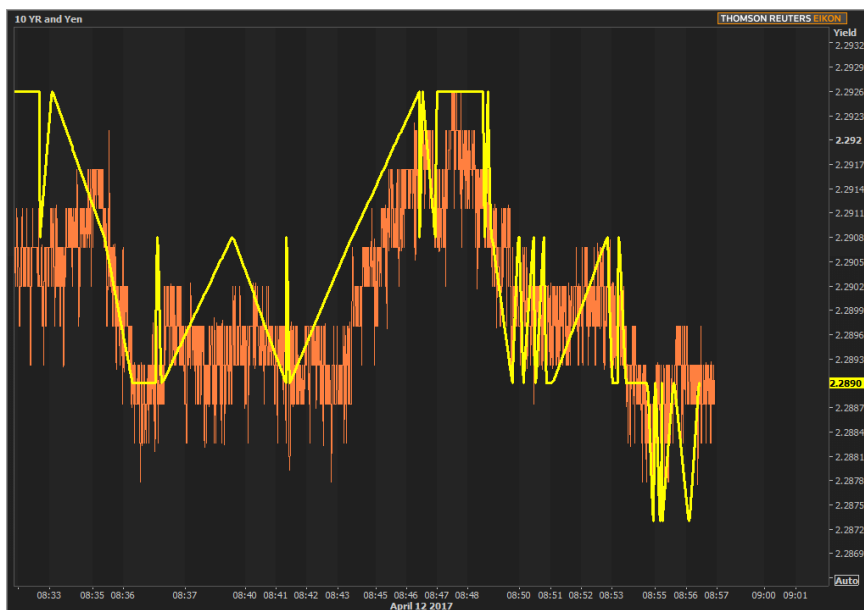
Pricing as of: 5/17 5:59PM EST



Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.09%	+0.07	0.00
15 Yr. Fixed	6.56%	+0.03	0.00
30 Yr. FHA	6.62%	+0.07	0.00
30 Yr. Jumbo	7.35%	+0.04	0.00
5/1 ARM	7.30%	+0.06	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: 5/17



Because of that, Yen/\$ has evolved to be an even more up-to-the-moment expression of the risk-on/off effects of news and events on US Treasuries. This **isn't** to say that Yen will always dictate the pace and momentum for Treasuries. Rather, the correlation simply ramps up at times when financial markets are engaged in risk-on/off trading. Different factors can always pull the key players' attention in **other directions**. For example, this week is a big earnings week for stocks. As such, equities futures haven't been marching to quite the same beat, though they certainly were during yesterday morning's North Korea news.



This risk-on/off trade is a big deal for bonds. They **won't hesitate** to continue breaking through 2017's range if that's where the risk-on/off trade is going.



Subscribe to my newsletter online at: <http://housingnewsletters.com/richhomeloans>

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.

Rich E. Blanchard

