Mortgage Market Update



Rich E. Blanchard Managing Director, RICH Home Loans LLC

NMLS: 492461 1550 Wewatta St., 2nd Floor Denver, CO 80202

UPDATE: Here's What's Behind The Overnight Move to 2017's Lowest Yields

Remember When "China Selling Treasuries" was a **big scary thing?** There was a time in the not too distant past where American market-watchers (and perhaps a few traders) were concerned that China's large share of US Treasury holdings meant that it had control over the direction of domestic rates--at least to some extent--that it "owned" us.

This, of course, was **relative nonsense**, assuming we're talking about some major shift in rate momentum, or any other country's ability to own/control the US simply because it held a large amount of our Government issued debt. That would be like saying one bank controls your life simply because you have more loans with them than any other bank, totally ignoring the fact that you could take your business elsewhere.

Back in the real world, and on a **more practical note**, the trends in buying and selling among the largest foreign holders of Treasuries is still tradeable news and certainly worth a moderate reaction.

Just over an hour ago, a news story came out that speaks to those trends. This time, it's **not** the same old fear-mongering about our foreign overlords punishing us by selling our bonds. Rather, Chinese officials said they've stopped reducing the country's Treasury holdings and that now is good time to buy more.

As far as China is concerned, none of the Treasury trading strategy is "personal." It's not the sort of "East vs West" drama that some alarmist sources might make it out to be. Rather, it's simply about China's own economy and currency. Indeed, China **needed to sell** Treasuries to prevent its currency from weakening too quickly. With Yuan now stabilizing, the Treasury selling trend has reversed.

This is "breaking news" that stands to reason, but it had the look and feel of breaking news nonetheless and traders reacted accordingly, pushing yields to fresh 2017 lows of 2.1295. We've already bounced up near 2.15% because, again, this really isn't all that sensational. It just sort of **sounded that way** to some traders.

Office: 720.619.9900 Mobile: 303.328.7047 Fax: 214.975.2874 richblanchard@richhomeloans.com View My Website

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 I | 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 Banke | rs 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 Rates as of: 5/17 | 6.56% | -0.04 | 0.66 |

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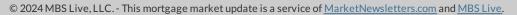


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