



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: Tomorrow Remains in Focus Even if Things Get Crazy Today

One never knows what to expect on the relatively data-free day ahead of a minefield of potential market movers 24 hours later. To be clear, we're talking about today as that data-free day and tomorrow as the **minefield** (British election, Comey testimony, ECB Announcement).

As I said on Monday, bond traders are **generally interested in finding their seats** before the big show and then simply waiting for the show to begin. Asian/European markets suggested US bond markets adjust their seating position by just a bit (geopolitical risks in the Middle East plus headlines about Chinese officials saying they would buy more US Treasuries), but the broader theme remains intact.

Actually, there are a **few broader themes**. First and foremost, we know that bonds are battling a long-term inflection point around 2.15% in 10yr yields. That's the lower end of "**the gap**" that was created in the days following the presidential election. But I wouldn't get too caught up in 2.15% itself, simply because we're truly dealing with BIGGER-picture trends. In hindsight, anything from 2.12-2.19 will look narrow enough to be considered an "inflection zone." Incidentally, the chart below has several pivot points inside that zone--all of which are suggested and well-supported by recent market movements.

Slightly less broad, but a theme nonetheless, is the **confirmed downtrend** in yields that's been intact since mid-May. Breaking above one of these trendlines would be a first-line defensive trigger for risk-averse clients who are floating, but who have the option to lock ahead of tomorrow's riskier events.

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



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