

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.

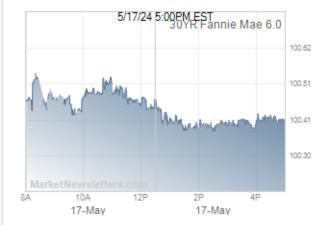
Actually, there are **a few broader themes**. First and foremost, we know that bonds are battling a long-term inflection point around 2.15% in 10yr yields. That's the lower end of "the gap" that was created in the days following the presidential election. But I wouldn't get too caught up in 2.15% itself, 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

•	0 0		
	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 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	6.56%	-0.04	0.66
Rates as of: 5/17			

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