



## 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](mailto:richblanchard@richhomeloans.com)

[View My Website](#)

## UPDATE: Bonds Giving Back "Protection Money"

Today's default momentum is toward higher yields/lower prices. Rates made a run at a major technical level (2.15-2.17% in 10yr yields) based largely on **defensive positioning** ahead of several high-risk events. It was safer for traders to pay this "protection money" in case the Comey testimony, ECB Announcement, AND UK election all ended up making a case for lower yields. Instead, only the ECB proved helpful.

We already saw the effects of the Comey testimony over the past few days (and they **would have been worse** if not for the ECB). Today we're seeing the fallout from the British election.

### What is the bond market implication of the UK election?

Simply put, Theresa May was seeking a stronger "mandate" in the form of more parliament seats for her political party. Instead, she LOST seats. It was a surprise/upset/etc. It casts more doubt on the Brexit timeline--generally suggesting a slower and gentler break from the EU. **Bond bulls would prefer an aggressive, fast break.** The associated financial and economic risks of a faster break would have motivated safe-haven demand for fixed income assets like bonds.

**Bottom line:** yields were low based on potential bombshells, and 2 out of 3 bombs were duds. Plan for additional weakness today, and hope that it's limited. If we see a supportive ceiling emerge before moving above the 2.24-2.25% range, it would be a pleasant surprise and a fairly resilient showing, all things considered.

10yr yields are currently up 3bps at 2.223 and Fannie 3.5 MBS are down 2/32nds at 103-06.

## MBS & Treasury Market Data

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

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

## Average Mortgage Rates

	Rate	Change	Points
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### Mortgage News Daily

30 Yr. Fixed	7.09%	<b>+0.07</b>	0.00
15 Yr. Fixed	6.56%	<b>+0.03</b>	0.00
30 Yr. FHA	6.62%	<b>+0.07</b>	0.00
30 Yr. Jumbo	7.35%	<b>+0.04</b>	0.00
5/1 ARM	7.30%	<b>+0.06</b>	0.00

### Freddie Mac

30 Yr. Fixed	7.02%	<b>-0.42</b>	0.00
15 Yr. Fixed	6.28%	<b>-0.48</b>	0.00

### Mortgage Bankers Assoc.

30 Yr. Fixed	7.08%	<b>-0.10</b>	0.63
15 Yr. Fixed	6.61%	<b>+0.01</b>	0.65
30 Yr. FHA	6.89%	<b>-0.03</b>	0.94
30 Yr. Jumbo	7.22%	<b>-0.09</b>	0.58
5/1 ARM	6.56%	<b>-0.04</b>	0.66

Rates as of: 5/17



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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**

