

Rich E. BlanchardManaging 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: How Long Can Bonds' Back-To-School Rally Continue?

Bonds have been **on** a **tear recently**, easily breaking to the lowest yields of the year this week after some exploratory attempts last week. Geopolitical risk surrounding North Korea has been the centerpiece of the market's move away from risk, or so they say. But it's not quite that simple.

Sure, North Korean headlines have definitely served as buying opportunities for bonds, but if this were a true "risk-off" move, we'd expect to see more participation from equities markets. Instead, stocks only briefly moved lower with bonds before grinding back up toward all-time highs. Meanwhile, the bond rally has been a consistent 2-month affair.



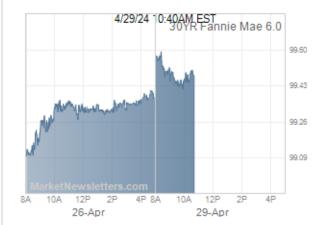
This divergence suggests **bonds have their own reasons** to rally that transcend the mere "risk-on" vs "risk-off" themes associated with major geopolitical drama. Fortunately, these haven't been too terribly mysterious. They've also done a good job of confirming their importance along the way.

For instance, yesterday's European Central Bank announcement and press conference reminded us that the world's big central banks are going to have a **tough time** quickly removing accommodation (i.e. raising rates and decreasing asset purchases). A day earlier, we saw political headlines in the US take bonds in an unfriendly direction--confirmation that the debt ceiling drama and general political gridlock was/is helping rates.

MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	99.48	+0.11
MBS GNMA 6.0	100.50	+0.15
10 YR Treasury	4.6270	-0.0375
30 YR Treasury	4.7456	-0.0283

Pricing as of: 4/29 10:40AM EST



Average Mortgage Rates

	Rate	Change	Points
Mortgage News	Daily		
30 Yr. Fixed	7.45%	-0.07	0.00
15 Yr. Fixed	6.86%	-0.05	0.00
30 Yr. FHA	6.95%	-0.05	0.00
30 Yr. Jumbo	7.64%	-0.04	0.00
5/1 ARM	7.50%	-0.05	0.00
Freddie Mac			
30 Yr. Fixed	7.17%	-0.27	0.00
15 Yr. Fixed	6.44%	-0.32	0.00
Mortgage Banke	rs Assoc.		
30 Yr. Fixed	7.24%	+0.11	0.66
15 Yr. Fixed	6.75%	+0.11	0.64
30 Yr. FHA	7.01%	+0.11	0.94
30 Yr. Jumbo	7.45%	+0.05	0.56
5/1 ARM	6.64%	+0.12	0.87
Rates as of: 4/26			

© 2024 MBS Live, LLC. - This newsletter is a service of MarketNewsletters.com.

The interest rates provided in this newsletter are national averages from independent data sources. Rate/APR terms may differ from those listed above based on the creditworthiness of the borrower. All information provided "as is" for informational purposes only, not intended for trading purposes or financial advice.

Harder to quantify and observe is the undercurrent of "trading positions." This simply refers to the spread of various bets being made by traders. As yields fell toward 2017 lows, bets increased that rates would bounce. If the balance of bets gets lopsided, we're slightly more likely to see quick, snowball moves in the opposite direction. Those moves often follow the opening bell for the CME or NYSE (8:20am or 9:30am respectively). We have solid examples of both on Tuesday and Thursday respectively.

The question now becomes whether or not the imbalance of bets has been washed out. In other words, have the folks who were betting on rates moving higher "learned their lesson?" That question can only be answered **gradually** by trading levels. 2.06% remains the closest pivot point in 10yr yields, but 2.12% is the **more important** one.

Moving well over 2.12% (and staying there in the following trading session) would go a long way toward confirming the end of the back-to-school bond rally. Until we see that, gains are only limited by the willingness of traders to keep betting against bonds. The more of a "sure thing" a move toward higher rates becomes, the more they'll likely continue to fall. But once traders accept and believe that rates can continue lower, that's when they'll bounce.



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

