



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: For Bonds, It's Still "Duck and Cover"

2018 has seen the most unpleasant start to a new year since 2009 as far as bond markets are concerned. The big sell-off in 2009 is **easier to reconcile** as a correction to an even sharper move to lower yields as the financial crisis officially hit Treasury yields.

This time around, the selling is occurring in a **much scarier** way. Whereas 2009 marked a correction to a longer-term downtrend, 2018 is more of an acceleration of a preexisting uptrend.



In the shorter-term, the momentum has been fairly **relentless**. The pace has been fairly gradual compared to other moves of equal size. That's bad. Gradual moves tend to have more staying power.

Although bounces can materialize any time, there's no solid indication of that happening just yet. Just last week, 2.885 emerged as a potential ceiling (2 big bounces on Monday and Thursday) and was **quickly broken** in this morning's overnight trading. Momentum indicators have yet to give a positive signal and yields themselves have yet to meaningfully test the lower boundary of the trend channel (the upwardly sloped lines seen in the following chart).

MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	99.13	-0.31
MBS GNMA 6.0	100.06	-0.19
10 YR Treasury	4.7019	+0.0597
30 YR Treasury	4.8155	+0.0443

Pricing as of: 4/25 3:44PM EST



Average Mortgage Rates

	Rate	Change	Points
--	------	--------	--------

Mortgage News Daily

30 Yr. Fixed	7.52%	+0.13	0.00
15 Yr. Fixed	6.91%	+0.08	0.00
30 Yr. FHA	7.00%	+0.13	0.00
30 Yr. Jumbo	7.68%	+0.10	0.00
5/1 ARM	7.55%	+0.15	0.00

Freddie Mac

30 Yr. Fixed	7.17%	-0.27	0.00
15 Yr. Fixed	6.44%	-0.32	0.00

Mortgage Bankers 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: 4/25



With all of the above in mind, this week is just another opportunity to see how much staying power this negative trend really has. Wednesday could be particularly interesting with the release of the Consumer Price Index (CPI), which is currently the **most important** piece of economic data on any given month. The most informative and disconcerting reaction would be a weak CPI reading followed by a knee-jerk rally that then gives way to more selling. That would be the worst case scenario in terms of implications for the bigger picture. Conversely, an eventual rally that follows stable or stronger CPI would suggest bonds are increasingly ready to hold their ground near current levels.

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

