



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

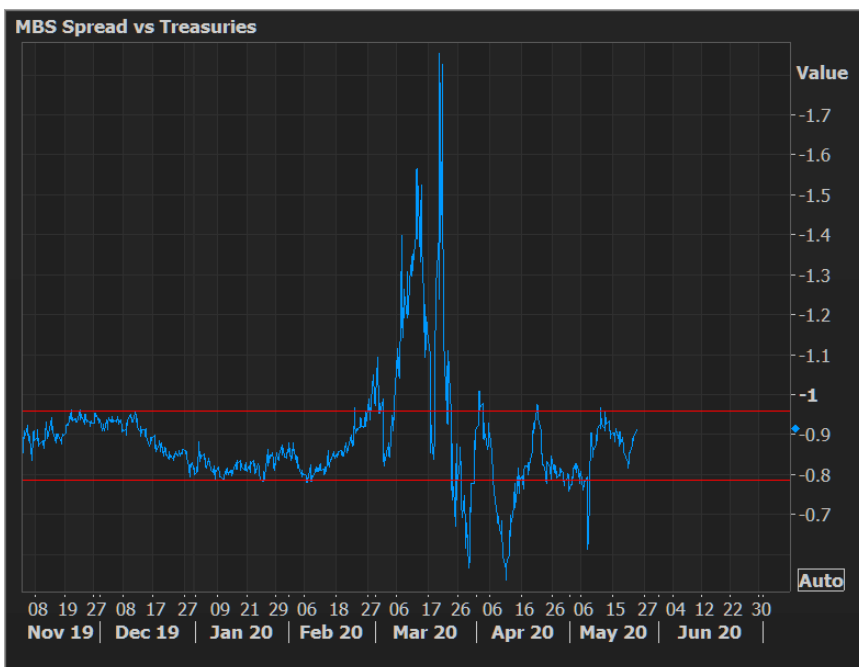
[View My Website](#)

The Day Ahead: Not Reading Too Much Into Things Ahead of 3.5-Day Weekend

Treasuries started out stronger after overnight drama between China and Hong Kong caused a "risk-off" trade (i.e. sell stocks, buy bonds). MBS continue lagging Treasuries. What's up with that?

The performance between MBS and Treasuries can always vary to some extent. Divergences are more easily seen in a few specific situations. One of the **most common** situations is an obvious risk-off rally (or "flight-to-safety," if you prefer). This type of rally benefits the most basic, most liquid, least risky bonds first and foremost. Treasuries fit that bill better than anything.

None of this is a very big deal in the bigger picture. MBS are still in a process of finding their range versus Treasuries, and there has been **far more drama** in the past few months than we could ever hope to see today or any time soon. The following chart shows the relationship between MBS yield and the 10yr Treasury yield. The big spike in March preceded the Fed's bond buying announcement and the bigger spike in late March preceded the Fed's adjustment of that buying program.



MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	99.37	+0.30
MBS GNMA 6.0	100.35	+0.27
10 YR Treasury	4.6645	0.0000
30 YR Treasury	4.7786	+0.0047

Pricing as of: 4/28 9:17PM 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 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: 4/26

Long story short, the Fed took a sledgehammer to spreads and arguably overdid it at first, but they had to make sure their message was received. They weren't going to let liquidity be an issue, so they just bought 10s of billions of dollars of MBS per day. That caused spreads to fall/tighten to the **lowest/tightest levels** in years. As the Fed backed off, spreads have returned to 2019's previous range.

With today being a **half day** and bonds being closed on Monday, today's MBS movement is more a factor of housekeeping (i.e. not a lot of opportunistic or strategic trading going on). We'll get a better sense of underlying bond market sentiment next week. This one has been a victory, even if we lose some ground today. Nothing is too troubling in MBS land if it's occurring inside this range.



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

