Mortgage Market Commentary



Rich E. Blanchard Managing Director, RICH Home Loans LLC NMLS: 492461 1550 Wewatta St., 2nd Floor Denver, CO 80202

The Day Ahead: Will Fed Week Save Bonds?

Bonds are coming off their **roughest week** in months with yields rising at their quickest pace since the mega-volatility seen during the panicked sell-off in March 2020. Before that, we'd have to go back to October 2019 (the initial bounce from the trade war rally) to see anything comparably bad.

Adding to the **gravity** of the situation is the fact that yields had been so sideways for the past 6 weeks. The juxtaposition would seem to indicate that bonds were in a holding pattern while they deliberated over the timing and pace of an economic recovery with the big jump higher in rate marking a verdict.

In other words, 10yr yields held so faithfully under the .74 and .79 ceilings that these became the dividing lines between the depths of the covid-19 economic impact and everything else. Last week's rapid move up and over those ceilings corresponded with ultra-strong economic data (versus expectations) as if to say the **darkest depths are behind us** and now it's time for rates to move higher.



To some small extent, these **same concerns** existed in early April when the growth rate of covid cases first began to level off, but the reality of the economic impact ushered yields into the sub 0.74% range (where they remained all the way until last week). All that to say that the current bounce

© 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.

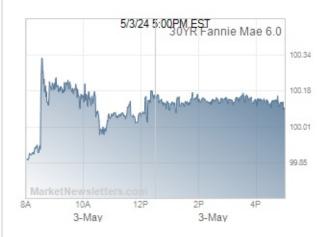
Read or subscribe to my newsletter online at: http://housingnewsletters.com/richhomeloans

Office: 720.619.9900 Mobile: 303.328.7047 Fax: 214.975.2874 richblanchard@richhomeloans.com View My Website

MBS & Treasury Market Data

100.09	+0.31
101.03	+0.29
4.5138	0.0000
4.6711	0.0000
	4.5138

Pricing as of: 5/5 7:51PM EST



Average Mortgage Rates

	Rate	Change	Points
Mortgage News	Daily		
30 Yr. Fixed	7.28%	-0.09	0.00
15 Yr. Fixed	6.75%	-0.07	0.00
30 Yr. FHA	6.70%	-0.12	0.00
30 Yr. Jumbo	7.48%	-0.07	0.00
5/1 ARM	7.35%	-0.07	0.00
Freddie Mac			
30 Yr. Fixed	7.22%	-0.22	0.00
15 Yr. Fixed	6.47%	-0.29	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: 5/3			

Mortgage Market Commentary

could also prove to be a **false start**, but the circumstances are definitely different than those seen in early April.

There is precious little economic data on tap this week. If markets were hoping to add to last week's recovery narrative, they'll have to look elsewhere. Instead, bonds will be focused on Wednesday's Fed announcement, where many market participants expect some sort of official QE announcement. Last Friday was the first time since emergency bond buying was announced in March that the Fed kept it's daily buying limit unchanged in MBS (\$4.5 bln per day). That may give us an idea of **what to expect** if the Fed puts official QE in place on Wednesday.

Let's break this down into greater detail so it's not confusing:

The Fed is currently buying bonds on an "emergency" basis.

At one point they announced MBS purchases of "up to \$50bln per day."

That has since ratcheted down under \$5bln per day.

They update the amount each Friday (for the following week).

It's gotten lower every time UNTIL this past Friday when it remained unchanged at \$4.47 billion / day.

Now this week, we have a Fed Announcement where some investors expect the Fed to announce a permanent QE operation (as opposed to emergency bond buying). Considering they just held the daily amount steady week-over-week for the first time, \$4.47 bln / day is a reasonable starting point to guess what a QE announcement might look like for bonds. Either way, it gives us an easy benchmark to assess how generous or stingy a permanent announcement is this Wednesday (if we get one).

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



© 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.