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The Week Ahead: A Few Levels To Watch As Bonds Try To Hold Recent Gains

Will rates be able to **remain** in the comparatively great territory they entered last week, or does Friday's post-NFP sell-off mean we should be **fearful** of a big retracement back toward levels from earlier in Dec or worse?

Neither I, nor anyone else can tell you which of those options is more likely to play out, but I can suggest **a few ceilings to consider** in the process. There's a more optimistic ceiling just overhead around 2.68-2.69. That would be the best case scenario as these were the highs from Friday and from the overnight session. If that's broken, all hope isn't lost, but we'd be looking at a moderately big jump up to 2.81-2.82 for the next major support.



In addition to trading levels themselves, we'll also be watching momentum metrics for the eventual spike in short-term momentum. Take a look at how the momentum lines were behaving in late August. That's the sort of thing that would **confirm a shift** toward higher rates (though it wouldn't comment on how long that negative trend would last).

MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.39	+0.19
MBS GNMA 6.0	100.53	+0.14
10 YR Treasury	4.3602	-0.0724
30 YR Treasury	4.5297	-0.0761

Pricing as of: 7/3 4:47PM EST



Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.08%	-0.05	0.00
15 Yr. Fixed	6.45%	-0.02	0.00
30 Yr. FHA	6.55%	-0.05	0.00
30 Yr. Jumbo	7.25%	-0.04	0.00
5/1 ARM	7.07%	-0.03	0.00
Freddie Mac			
30 Yr. Fixed	6.86%	-0.01	0.00
15 Yr. Fixed	6.16%	+0.03	0.00
Mortgage Bankers Assoc.			
30 Yr. Fixed	7.03%	+0.09	0.62
15 Yr. Fixed	6.56%	+0.09	0.54
30 Yr. FHA	6.90%	+0.11	0.95
30 Yr. Jumbo	7.11%	-0.01	0.50
5/1 ARM	6.38%	+0.11	0.54

Rates as of: 7/3

This week's important data is fairly well dispersed. The **two biggest reports** act as bookends with ISM Non-Manufacturing this morning and CPI on Friday morning. The intervening days don't offer much by way of economic data, but they will play host to the 3,10, and 30yr Treasury auctions. These provide an opportunity to gauge investor sentiment regarding bonds in a much more liquid environment than late December (which proved to be challenging for the last round of auctions).

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