



Ca-Vin Phan

Chief Operation Officer, Able Financial Corp
12387 Lewis St. Ste 201 Garden Grove, CA 92840

Office: 714-462-6149
Fax: 657-221-3063
cvphan@ablefinancialcorp.com
[View My Website](#)

UPDATE: Draghi/Stocks Helping Bonds Offset Supply Jitters

What are "supply jitters," you may be wondering?! This is just a shorthand reference to new bond market supply, either in Treasuries or in the Corporate sector (which can also weigh on Treasuries/MBS as described in [this primer](#)). I mentioned these jitters as potentially underpinning some of the weakness seen on Friday. The rationale was that this week would bring an earlier-than-normal Treasury auction cycle due to the 31st falling on a Thursday (Treasury doesn't like to do the last of the week's auctions on the last day of any given month). Beyond that, there's been a general ramp-up in corporate bond issuance as the new year gets underway and in the wake of earnings announcements.

Indeed, bonds began the day in weaker territory in an apparent nod to the aforementioned jitters, but they've since reversed course with help from ECB President Draghi who delivered a testimony at EU Parliament this morning. He largely reiterated last week's press conference, but here are a few highlights:

- OVER THE PAST FEW MONTHS, INCOMING INFORMATION HAS CONTINUED TO BE WEAKER THAN EXPECTED
- THE PERSISTENCE OF UNCERTAINTIES IN PARTICULAR RELATING TO GEOPOLITICAL FACTORS AND THE THREAT OF PROTECTIONISM IS WEIGHING ON ECONOMIC SENTIMENT
- SIGNIFICANT MONETARY POLICY STIMULUS REMAINS ESSENTIAL

Apparently, hearing this stuff for a 2nd time has prompted a few more investors to trade accordingly. Global equities markets and core bond yields began falling noticeably shortly after those headlines.

10yr yields are now down to 2.737 after being as high as 2.766%. Fannie 4.0 MBS are up 2/32nds (0.06) at 101-23 (101.72).

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 4:50PM 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



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