



BRETON MACDONALD

Mortgage Banker/Broker/Branch Manager, Geneva Financial LLC
174698
3155 S. Price Road, Suite 105 Chandler, Arizona 85248

Office: 949-887-7289
Mobile: 949-887-7289
bmacdonald@genevafi.com
[View My Website](#)

A Message from BRETON MACDONALD:

"Translation: "we're done buying bonds by the end of the year. In the bigger picture, it doesn't matter if it's Sept or Dec. The end of asset purchases will start the clock ticking for our first rate hike. We've said that rate hike would arrive 'well past' the end of asset purchases. Just so you know, that means a few quarters and not a few years.""

ALERT: Bonds Hit by European Central Bank Warning

If you haven't heard of Francois Villeroy de Galhau, you have now. Feel free to call him "ECB's Villeroy," which is keeping in the custom for market watchers' reference to ECB members (and Fed members for that matter).

With that out of the way, ECB's Villeroy is today's market mover so far. As we've seen time and again with the Fed, it doesn't take Bernanke, Yellen, or Powell to drop some sort of periodic bomb on the market's collective outlook. The Fed's Bullard, for instance, has done this several times--so overtly that conspiracy theorists suggested he was being used as a trial balloon for Fed policy changes.

So what did Francois say? Here are the relevant newswires:

- ECB'S VILLEROY SAYS END OF NET ASSET PURCHASES IS APPROACHING, WHETHER IT WILL BE IN SEPTEMBER OR DECEMBER IS NOT AN EXISTENTIAL QUESTION

- ECB'S VILLEROY SAYS WITHOUT DOUBT OUR COMMUNICATION WILL BE ADJUSTED GIVEN THAT CURRENT RATES GUIDANCE IS EXPLICITLY CONDITIONED ON THE END OF NET ASSET PURCHASES

- ECB'S VILLEROY SAYS WE COULD GIVE ADDITIONAL GUIDANCE ON TIMING OF FIRST RATE HIKE - "WELL PAST" MEANING AT LEAST SOME QUARTERS BUT NOT YEARS

Translation: "we're done buying bonds by the end of the year. In the bigger picture, it doesn't matter if it's Sept or Dec. The end of asset purchases will start the clock ticking for our first rate hike. We've said that rate hike would arrive 'well past' the end of asset purchases. Just so you know, that means a few quarters and not a few years."

MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 5.5	99.44	+0.05
MBS GNMA 5.5	99.83	+0.05
10 YR Treasury	4.2379	-0.0146
30 YR Treasury	4.4701	-0.0024

Pricing as of: 7/23 2:59PM EST

Average Mortgage Rates

	Rate	Change	Points
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Mortgage News Daily

30 Yr. Fixed	6.87%	-0.02	0.00
15 Yr. Fixed	6.32%	-0.01	0.00
30 Yr. FHA	6.33%	0.00	0.00
30 Yr. Jumbo	7.05%	0.00	0.00
5/1 ARM	6.59%	+0.01	0.00

Freddie Mac

30 Yr. Fixed	6.77%	-0.09	0.00
15 Yr. Fixed	6.05%	-0.11	0.00

Mortgage Bankers Assoc.

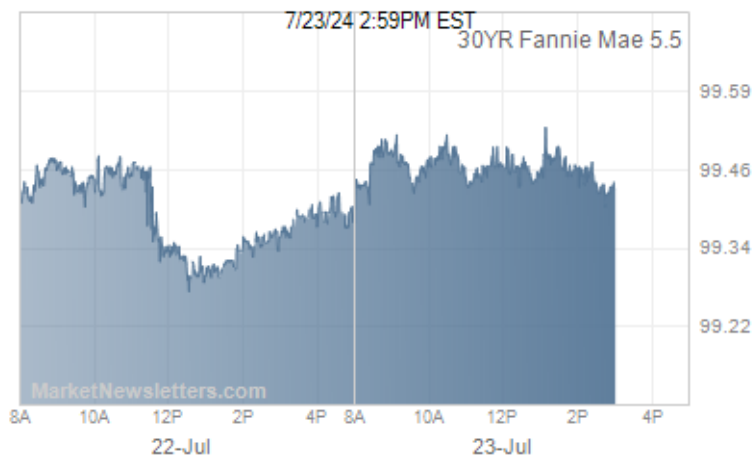
30 Yr. Fixed	7.00%	-0.03	0.60
15 Yr. Fixed	6.63%	+0.07	0.61
30 Yr. FHA	6.87%	-0.03	0.92
30 Yr. Jumbo	7.13%	+0.02	0.38
5/1 ARM	6.22%	-0.16	0.60

Rates as of: 7/23

Bottom line: this was just a **hawkish** clarification on the timing of the ECB's first rate hike after it ends asset purchases (currently scheduled to last only a few more months).

Market reaction: European bond markets bolted toward higher yields immediately following the last two comments. Selling ebbed as the US session began, but found a second wind in the European afternoon--all the while pulling use yields higher in more measured paces.

10yr yields are up 2.6bps at 2.995% and Fannie 4.0 MBS are down 2/32nds (.06) at 101-19 (101.59). This isn't quite enough weakness for a negative reprice just yet, but it's enough to increase your intraday vigilance if you have loans to lock.



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Breton is a Branch Manager & Sr Loan Officer at the top of his field for over 15 years. Transparency & treating people like family is how he has built a solid network of referral & repeat business over the years. Candor and expertise is how he communicates & consistently closes on time getting the best loan possible. With Geneva Financials' wide array of products & its seamless, straightforward process he will be able to find you the best mortgage structured the right way. With a positive attitude, Breton is consummate pro who is honest, upfront & shoots it to you straight. 949-887-7289

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