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UPDATE: If Virginia is for lovers, 2015 bond markets are for volatility lovers.

The point is that the past is **not** relevant precedent for what's going on in 2015 when it comes to bond markets **looking like** they're going to calm down in a beneficial way. Read that last sentence again if you need to. **Please** don't be surprised to see large, seemingly inexplicable swings, especially into negative territory (since we're in an uptrend and all...).

Today's movement is as **seemingly inexplicable** as it gets. All of the Eurozone PMIs were stronger than expected overnight--especially the "services" PMIs in Germany and France. This ended up being worth almost nothing to European bond markets, which instead moved progressively lower in yield after an unrelated pop higher at the open.

From there, **more frustration**. US yields didn't do much to follow the move lower in Europe (the one that made little sense in the first place). To make matters more interesting and frustrating, the dollar is surging. Again, this makes little sense given the stronger economic data in Europe and ostensible prospects of a Greek deal. Both of those should favor the Euro vs the Dollar and falling Greek yields confirm more Greek optimism today.

We do have a 2yr auction this afternoon and a 5 and 7yr in the next 2 days, but **none of that is sufficient cause** for the weakness we're seeing in Treasuries (and consequently, MBS). The only other item of note is a speech from Fed's Powell this morning in which he unequivocally communicated his rate hike thoughts. Particularly, he sees 2 this year and an average of about 1.0% per year until reaching a stable target, whatever that might be.

Even then, we've had hawkish Fed comments before and it hasn't hurt this much. That leaves us coming back to the same old story: traders continue to trade the long-term shift in interest rates. It began in January in the US and in April for Europe. If there is glacial momentum toward higher rates, all of the data and headlines are merely noise (like seals and polar bears duking it out on the glacier). Meanwhile, the glacier keeps going **wherever it damn well pleases**.

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 5:59PM 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	6.95%	+0.09	0.00
15 Yr. Fixed	6.25%	+0.09	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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