



Mike Baker

Head Interest Rate Shopper, The Rate Shop
 Individual NMLS: 259076 Company NMLS: 2554765 State
 23211 W 45th St Shawnee, KS 66226

Office: 913-213-3335
 Mobile: 913-213-3335
mike@rateshopkc.com
[View My Website](#)

UPDATE: Bonds Weaker Overnight. Still in Defense Mode

Most people who talk strategy on financial markets tend to rephrase the smart things they've read, putting into their own words and thus making themselves potentially look a bit smarter in the eyes of their readers. I like to give credit where credit is due. The best sentence I've read this morning in terms of a thesis for the market's **overall mood** comes from one of my favorite strategists, Ian Lyngen (Head of Rates Strategy at BMO Capital Markets), who writes:

"The market is still in the honeymoon phase with the Trump administration in terms of assuming that he 'just said all that stuff to get elected' and we're now in for a Republican administration focused on the traditional cornerstones of tax cuts, fiscal stimulus, and corporate profit repatriation."

I can't add much to that in terms of encapsulating why rates are where they are this morning. But here are a **few other thoughts** and specifics on the overnight move:

At first, rates were quite a bit lower as Asian market hours proved to be a time for that proverbial "dip buying." Volume was extreme by overnight standards. And while high volume and improving yields would seem like a good thing, the surge in activity was more about "holding the floor" around 2.00% than it was about a convicted move back to lower yields. Most of the volume was attributable to **traders refusing to break much below 2.0%**, or to getting back on the bandwagon of bond selling for the US session.

That bandwagon is profitable here in domestic hours as 10yr yields are up 4.3bps (more than 12 bps from trough to peak!) to 2.115. Fannie 3.0s are down nearly half a point (although they LOOK like they're down more on charts **due to the roll**. November 3.0 MBS closed out at 102-27. December MBS took over at 102-21, and current prices are 101-07, meaning we're down 14/32nds).

Today's **only major event** is the 30yr bond auction. With a 3-day weekend coming up and yesterday's incredibly tough 10yr auction, this could be a major source of anxiety for the traders that are forced to participate. We could see a spike in volatility after 1pm today.

MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.13	-0.04
MBS GNMA 6.0	100.23	-0.11
10 YR Treasury	4.4390	+0.0410
30 YR Treasury	4.5966	+0.0326

Pricing as of: 7/1 8:52AM EST

Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.07%	+0.02	0.00
15 Yr. Fixed	6.45%	0.00	0.00
30 Yr. FHA	6.51%	+0.02	0.00
30 Yr. Jumbo	7.26%	0.00	0.00
5/1 ARM	7.02%	-0.01	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	7.02%	-0.05	0.65
15 Yr. Fixed	6.60%	-0.15	0.55
30 Yr. FHA	6.87%	0.00	0.92
30 Yr. Jumbo	7.18%	-0.03	0.54
5/1 ARM	6.45%	+0.08	0.81

Rates as of: 6/28



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Real Talk

At The Rate Shop, we're not your average mortgage banker. We specialize in bringing you ridiculously low interest rates that will make you wonder what the other guys are doing. In fact the ONLY objection we ever hear is "your rates sound too good to be true". Well they're not, and here is why...

After 15 years in the retail banking world I was frustrated with the high interest rates that came from that business model. As I looked around at all the bloated layers of management and their expensive salaries and the overhead of running a larger company (think rent costs, employee health and benefit costs, payroll taxes, and on and on) it dawned on me that I was a part of the problem, and the solution, for me at least, was so easy to see.

Start my own mortgage brokerage shop. No expensive executive salaries, no expensive building to pay rent at, no unnecessary employees and all the costs that are associated with that. What happens when you cut out all the fat? You can provide lower rates and lower closing costs. It's simple. Now here is the best part, you still get great service from a local Kansas City Lender. My mission is to let everyone know that low rates and great customer service are NOT mutually exclusive.

Thanks for coming along on this journey where Low Rates meet Great Service. The two do NOT have to be mutually exclusive. It's just a lie that the big box mortgage companies have been telling you for years. Don't believe me? Give me a call or shoot me a text on my personal cell phone today and compare my rates and costs up against any other lender in the country, and be prepared to be blown away.

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