



Rich E. Blanchard

Managing Director, RICH Home Loans LLC

NMLS: 492461

1550 Wewatta St., 2nd Floor Denver, CO 80202

Office: 720.619.9900

Mobile: 303.328.7047

Fax: 214.975.2874

richblanchard@richhomeloans.com

[View My Website](#)

MBS Recap: Bonds Lose Ground After Opening Stronger

- Treasuries gain overnight on flight-to-safety surrounding Brussels terror attacks
- rates struggled to break overnight lows in morning trading
- After European close, bond markets quickly sold-off, with 10's breaking above 1.92%
- Chicago Fed's Evans' comments may have contributed
- Fannie 3.0s end down 5 ticks on the day, but 9 ticks off highs

In the grand scheme of things, today's sell-off **wasn't that big**. 10yr yields only closed 2.7bps higher than yesterday and Fannie 3.0s were only down 5 ticks. We see this sort of weakness all the time, but today managed to make it seem more threatening than the numbers suggest.

First off, there's the simple fact that bonds were in stronger shape to start the day. True, the outright losses weren't too severe compared to yesterday's close, but the intraday swing was **fairly large**.

Then there's the **surprise factor**. Specifically, there wasn't much by way of overt justification for the quick mid-day movement. Neither was there any tidy correlation in equities markets or oil prices. That left us to dig in the pits of rationalization, only to find some questionably important comments from Chicago Fed President Charles Evans and a fairly conclusive correlation with the European bond market close.

When it comes to Evans, he's long been considered the most dovish person on the committee. In other words, he's been in favor of lower rates and more QE even as other Fed members were talking about tapering and hiking. This time around he characterized himself as being more in line with the rest of the committee and generally gave the impression that there **wasn't much resistance** among FOMC members to the idea of a few rate hikes in 2016. All that having been said, I didn't see anything too surprising in his comments--certainly nothing that justified the volume and pace of the market reaction.

The European bond market close thesis is an easier case to make. If we consider that both European and domestic bond markets benefited from the safe-haven demand resulting from the Brussels attacks, it's not too much to ask to consider that buying bonds could have been a crowded trade. From there, it wouldn't be too surprising for those trades to be unwound at the end of Europe's trading day, as investors wouldn't want to be exposed to the **risk**

MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.63	+0.01
MBS GNMA 6.0	100.76	+0.02
10 YR Treasury	4.2832	+0.0014
30 YR Treasury	4.4796	-0.0061

Pricing as of: 7/8 9:54AM EST



Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.03%	-0.05	0.00
15 Yr. Fixed	6.44%	-0.01	0.00
30 Yr. FHA	6.50%	-0.05	0.00
30 Yr. Jumbo	7.24%	-0.01	0.00
5/1 ARM	7.05%	-0.02	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: 7/5

of a bigger correction overnight.

Finally, there were several big **corporate bonds** hitting the street today, and the isolated bond market weakness would definitely make sense in the context of corporate rate-lock hedging (i.e. selling Treasuries in order to lock the rate of return on the corporate bond).

Subscribe to my newsletter online at: <http://housingnewsletters.com/richhomeloans>

Expert Advice | Exceptional Service | Flawless Execution

With 27+ years of expertise in mortgage banking you can be confident in my knowledge and abilities to deliver a seamless loan transaction while providing personalized service.

Rich E. Blanchard

