



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](#)

The Day Ahead: Auction Cycle and Technicals Keep Pressure on Bonds

- Today brings 5yr Treasury auction = "supply pressure"
- Technical analysis is still negative
- Still, we can hope to get lucky with help from 'month-end' buying
- Thursday and Friday's economic data could help

Bond markets may well be holding on to the recent range in 10yr yields (1.81-1.89), but they're still in a bit of a pickle. They have **not** managed to make any headway since last week's Fed Minutes, and in general, there is much more belief that the Fed hikes at one of the next 2 meetings whereas there was very little belief before last week.

That "debate" could be one of our saving graces at the moment. As bond yields began rising last week, June was gaining the most ground as the likely target for the next hike, but comments since then have helped **shift expectations toward July** to some extent. At issue is the British vote to exit the EU. That vote would take place after the Fed's June meeting, and even several Fed speakers have suggested they might wait to see its outcome before hiking. I personally think this is a bit silly and/or overly-timid on the Fed's part, but apparently they don't (assuming the several speakers we've heard from are indicative of the thinking of the broader committee).

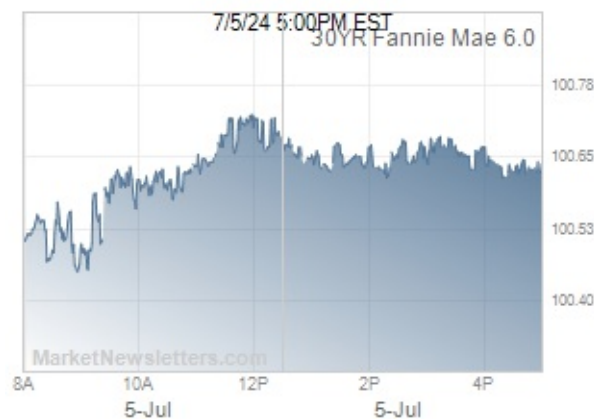
So if the summertime rate hike outlook was hurting bonds last week, the lengthening of the timeline (from June to July) has **helped bonds** find their footing.

Less helpful--or at least less optimistic--is the technical outlook. About all we have going for us is the upper range boundary at 1.887% in 10yr yields. We hit 1.882 overnight after intraday highs of 1.880 yesterday. It's great if that continues to hold, but most of the other technicals suggest that it won't. The only good news here is that any additional weakness isn't likely to last long IF the recent cycle continues to repeat itself.

MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.61	+0.22
MBS GNMA 6.0	100.74	+0.21
10 YR Treasury	4.3150	+0.0332
30 YR Treasury	4.5088	+0.0231

Pricing as of: 7/8 5:51AM 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 course there's always the danger that the cycle stops repeating itself (resulting in a fairly nasty break above the dotted teal line), but we'll cross that bridge if we come to it. In any event, **next week will be pivotal** in determining whether these trends continue. Granted, we could get our first glimpse of information with Durable Goods and GDP on Thursday and Friday, but the impact of those pieces of data could be clouded by the **month-end** trading environment.

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

