



## Rich E. Blanchard

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## MBS Recap: "Horrible Sell-Off" Brings Bonds Back to Flat

- 10yr yields were as low as 1.567 early
- Fannie 3.0s were as high as 103-04
- Both were driven by Europe (sub-zero German 10yr) and both rebounded when Europe rebounded
- US bonds ended up relatively unchanged ahead of Fed
- Sooooo much Brexit horse-trading

I wrote down **some thoughts on Brexit**, because it's complex and confusing. I don't know everything--let alone everything about Brexit, but if it helps you get farther down the proverbial road, [here you go](#).

Bottom line, markets are all geeked out over something that probably isn't as big of a deal as trading levels/volumes would suggest--at least not in the short term. Sure, Brexit could end up paving the way for the disintegration of the EU, but we wouldn't know that for years. The **worst part** of any **immediate** effects is whatever traders make of them. In other words, the actual impact on the European and global economies isn't expected to be too dramatic or too immediate. If traders weren't making lots of varying bets (either opportunistically or defensively) surrounding Brexit risks, we probably wouldn't have negative 10yr yields in Germany or long-term lows in the US 10yr.

After hitting -0.03, German Bund yields bounced and Treasuries followed. The sharper gains from the overnight and early morning sessions were **erased in a slow and steady fashion** with the worst levels not being seen until after 3pm. This constant selling pressure gave the impression of more of a bummer of a day in bonds, but by the end, we found ourselves merely 'unchanged' at long term rate lows. 10's ended at 1.613. A week ago today, we were considering a floor of resistance underfoot at 1.70. Perspective.

**Fed tomorrow**, but Brexit vote next Thursday. The later dulls the former's teeth, but not so much that a bite couldn't hurt. In other words, the Fed can still make you wish you would have locked ahead of it. Of course it can also make you regret locking, but any further progress lower in rates will be so slow that you probably wouldn't regret that too much.

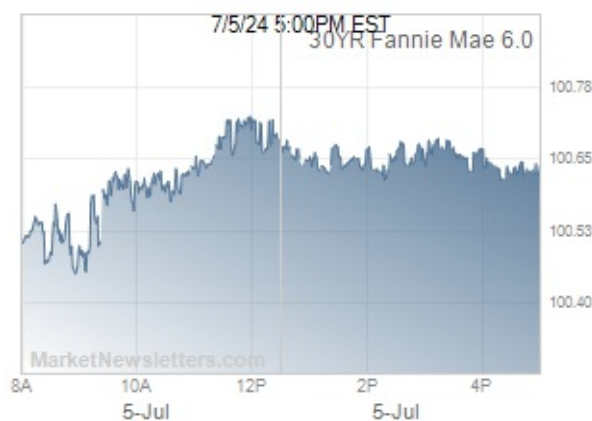
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## MBS & Treasury Market Data

|                | Price / Yield | Change  |
|----------------|---------------|---------|
| MBS UMBS 6.0   | 100.61        | +0.22   |
| MBS GNMA 6.0   | 100.74        | +0.21   |
| 10 YR Treasury | 4.3135        | +0.0317 |
| 30 YR Treasury | 4.5069        | +0.0212 |

Pricing as of: 7/8 5:45AM EST



## Average Mortgage Rates

|                                | Rate  | Change | Points |
|--------------------------------|-------|--------|--------|
| <b>Mortgage News Daily</b>     |       |        |        |
| 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   |
| <b>Freddie Mac</b>             |       |        |        |
| 30 Yr. Fixed                   | 6.95% | +0.09  | 0.00   |
| 15 Yr. Fixed                   | 6.25% | +0.09  | 0.00   |
| <b>Mortgage Bankers Assoc.</b> |       |        |        |
| 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

## 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**

