



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: Fed Wasn't Hawkish Enough to Scare Bonds

Dovish vs Hawkish: This refers to how **accommodative** the Fed's policy stance might be. Have you ever seen a hawk stare down its prey? That's how a hawkish Fed looks at inflation (i.e. "I'm really close to swooping in and killing that!"). Doves, on the other hand--well... I don't know what doves do, but I know they're not hawkish!

When it came to today's FOMC announcement, the Fed had a chance to send a clear signal on their rate hike intentions (if they had any). While they did dial up the hawkishness just a bit, they **stopped short** of the sort of overt telegraph seen in last October's meeting (when they said "in considering whether it will be appropriate to raise [rates] at its next meeting").

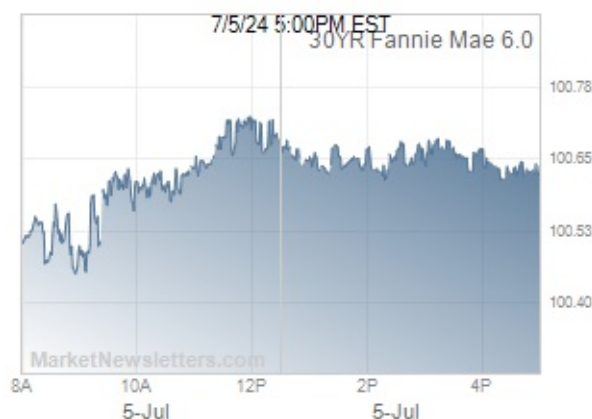
As such, markets (led by word-parsing computer programs) spent the first few seconds reacting to the more hawkish parts of the statement. The Fed thinks the economy is doing better? **Sell bonds!** But when the clear telegraph was nowhere to be found, human decision makers said "no... **BUY bonds!**" And buy they did. 10yr yields traded all the way down to 1.50 and Fannie 3.0s added nearly 3/8ths of a point versus yesterday's latest levels.

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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	4.2969	+0.0151
30 YR Treasury	4.4956	+0.0099

Pricing as of: 7/8 1:55AM 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

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