



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: Bond Rally Continues In Spite of Supply

- Bonds strong overnight with more help from Europe
- 10yr Auction strong this afternoon with massive foreign support
- 1.52-1.62 range in 10yr yields already potentially being tested on the low end after a bounce off the high end on Monday morning.
- MBS gain roughly a quarter point in Fannie 3.0
- Rates near 2-week lows (themselves only 1 or 2 rate sheets away from 5-week lows)

When we talk about "supply" in bond markets, we're primarily concerned with two big players: the US Treasury and businesses. The latter is responsible for several recent years of record issuance in corporate bonds with 2016 on pace to be another record. Corporate bonds are similar to mortgage-backed-securities in the sense that investors are receiving a bit of extra compensation (aka "yield") beyond risk-free benchmarks (aka "Treasuries") because of the risk--small though it may be--of not being paid back as expected.

(As an aside, "not being paid as expected" is an important distinction from "not being paid back" because when we're talking about MBS associated with a GSE or government agency, investors are guaranteed to be paid back.)

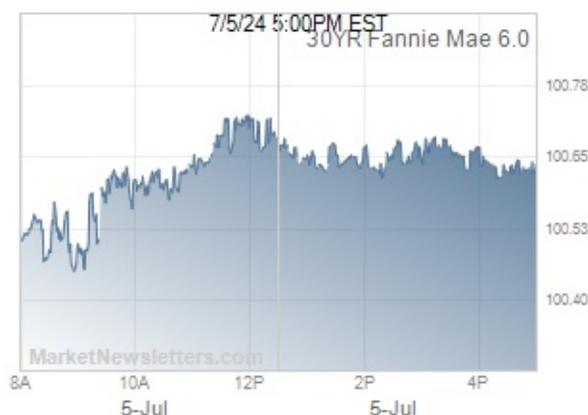
Even though mortgage rates are not directly controlled by Treasuries or corporate bonds, when any of the major constituents of the bond market experiences more supply, there are simply **fewer dollars left to buy other bonds**. This assumes that investors allocate only a certain amount of money to the broader bond market and of course we know it's not a perfect zero sum game in that regard. Even so, as supply exceeds investors' expectations, there is generally pressure on prices.

It would stand to reason then, that someone would have to be **very interested in buying bonds** in order for prices to improve (or for yields to fall, if you prefer) even as supply is waxing. Too, we can consider that investors can do a good job of planning for supply. After all, the Treasury auction amounts are known well in advance. But there's still a sort of "revealing" that takes place when the auctions actually happen and when the corporate bonds actually hit the market.

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	4.4975	+0.0118

Pricing as of: 7/8 2:00AM 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

Bond markets are revealing themselves to be more interested in soaking up all this supply than we might have guessed, based on last week's momentum. We've **very quickly** gone from being concerned about breaking the ceiling to being hopeful about breaking the floor.

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

