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The Day Ahead: Because... SIDEWAYS!

If you're on the very youngest fringe of the mortgage market participant age range, you might know what a "meme" is. And if you're up to speed on ancient meme history (we're talking about a few years ago), you might have come across one of the quintessential ways to shut someone's argument down without actually making an argument that's ever existed: "**because science!**"

For instance, you have friend who is amazed by the fact you can chill a bottle of beer by rolling it in a bowl of ice water for 2 minutes whereas he puts it in the freezer for 30 minutes and it still isn't cold. Rather than explain the thermal transfer efficiencies being exponentiated by contact and convection to someone who probably wouldn't get it, it's just easier to say "because... science!"

The movement in bond markets is very much the same right now, except we're all akin to the "**dumb friend.**" Sure, there could be some overly-complicated explanation that explains every little movement over the past 30+ days. Heck, I've even fallen into the trap of providing a few of those explanations. But when the same thing keeps happening in such a predictable way for this long, it's much easier to just say "**because SIDEWAYS!**"

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



Even at the end of July and beginning of August when the range was apparently broken, remember that it takes 2 consecutive closes outside the range in order to confirm a breakout. In other words, this **range has held** since mid-July.

The implication, as we begin a week with 10yr yields near the lower end of the range is to **not be surprised** if we experience mysterious selling until we move back toward the center of the range at least.

As for events that could ultimately result in a legitimate break of the range, this week's headliner is likely the FOMC Minutes on Wednesday afternoon. I **don't** think this is one of the times where we should expect the Minutes to contain a bombshell, but there's always the potential for markets to perceive a **clearer signal** about the Fed's intended course of action. Other than that, there's a smattering of economic data on Tuesday, and then not much else apart from the Fed.

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