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MBS Recap: Just When You Thought it Couldn't Get Worse

If you were wondering why I was hesitant to get on board with the modest improvements and sideways ground-holding of the past few days, today brings the answer. Rather, it was the fear or possibility of a day like today that should always lead us to question those noncommittal "barely green" days that follow several massive red days with high volume. More often than not, those barely green days serve as a mere consolidation of the initial move. They rarely suggest the return of high-conviction buying demand.

There were no significant economic reports today, and although there was some chatter about Fed's Dudley sparking the sell-off, he didn't. I know how **frustrating** it is to consider that there is no new event or data to blame for today's sell-off, but this move continues to be greater than the sum of any of the parts that have ostensibly been assigned to it.

Has data been good? Is the Fed probably going to hike? Are traders guarding against illiquidity heading into a holiday week? Yes, yes, and yes. But **the gorilla is inflation**. Every time anyone from the Trump administration speaks about potential policy, the market only hears: "INFLATION."

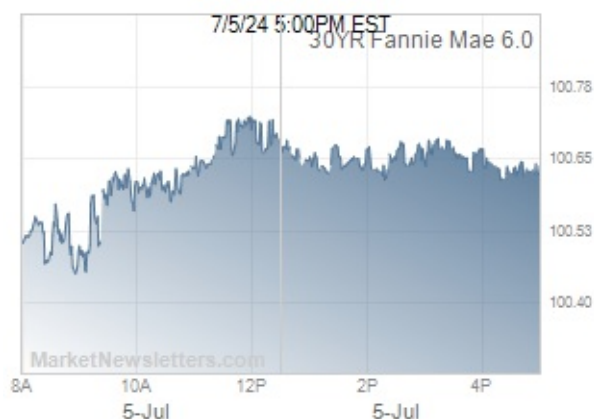
Simply put, the past 2 weeks have seen a **massive repricing of longer-term inflation risks**. The past few days were the eye of the storm, and today confirms that traders don't want to go to sleep with long positions in the bond market (i.e. betting on rates falling). When everyone is simultaneously defending against the risk of an inflation spike, this is what happens.

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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	4.2818	-0.0784
30 YR Treasury	4.4857	-0.0440

Pricing as of: 7/5 5:59PM 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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Rich E. Blanchard

