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The Day Ahead: Waiting For a Range Break, and 10yr Treasury Auction

To a significantly greater degree than yesterday's 3yr Treasury auction, today's 10yr auction will have the **power to confirm** a trend we were beginning to see at the end of last year. Namely, that investors had finally seen prices fall enough to make buying bonds seem like a good strategic move.

What would confirmation look like? There are a variety of ways to assess the strength of an auction, but at 1:01:30pm ET, we'll be looking for the **high yield** to be below the 1pm "when-issued" yield. The when-issued (or "WI") 10yr is another version of 10yr Treasuries. Instead of the buyer receiving the bonds at purchase, they'll receive them when the next crop is issued, typically about a week after the auction. When-issued trading begins when a new auction is announced.

Bottom line here is that **WI = the expected yield** for the auction. It's one of the most important parts of the auction result. Then there's bid-to-cover. This simply measures the ratio of dollars bid vs the total auction amount. Higher is better. The ratio of indirect vs direct bidding is also important because it is generally a good proxy for foreign investors.

As always, I put out an "auction preview" on [MBS Live](#) that has the targets for WI, bid-to-cover, and Indirects just before the auction. If there's any sort of a repeat performance of the 5yr auction that kicked off the positive momentum on Dec 28th, **we'll know by 1:02pm** (the official auction cut-off is 1pm, but results usually don't come out until 1:01:30).

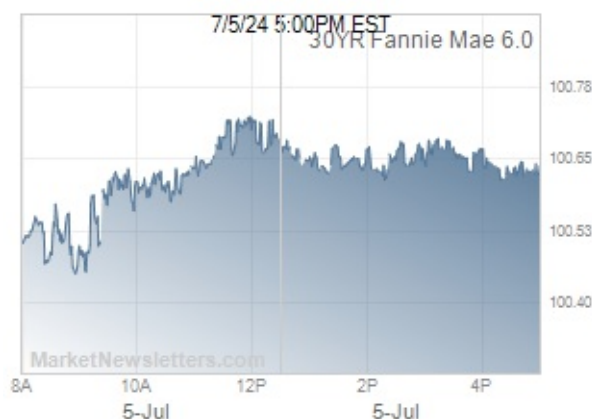
Apart from the auction, there is **no significant economic data** today, but markets may take a few cues from corporate bond hedging, stocks, and earnings. In general, bonds are drifting, with 10yr yields waiting for a break, either above 2.42 or below 2.34 to signal the next phase of momentum.

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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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