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**UPDATE: Stronger Producer Prices Add Pressure, But Bonds Hold Ground**

- Producer Price Index (PPI) +0.6 vs +0.3 forecast
- CORE PPI (excludes food/energy) +0.4 vs +0.2 forecast
- Year-over-year PPI +1.6 vs +1.5 forecast
- CORE y/y PPI (the important one) +1.2 vs +1.1 forecast

While the headline PPI came in much stronger than expected, it was offset (somewhat) by the smaller gain in year-over-year Core PPI. The implication is nonetheless negative for bond markets--just perhaps slightly less negative than the headline suggests in and of itself.

10yr yields were very slightly higher from the overnight session and added modestly to those losses in the wake of the data. They may already be pushing back, however. Yields were up more than 1bp moments ago, but are now up only 0.7 bps at 2.441.

Fannie 3.5s lost another tick from weaker opening levels and are down a total of 3/32nds at 102-03. All things considered, the response to the data has been fairly tame, both in terms of price action and volume. If the Treasury bounce is any indication, MBS should pick up a tick or two in short order.



**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
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**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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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**

