



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](#)

The Day Ahead: Ready For Anything Ahead of Fed Announcement

Bond markets are beginning the day in **slightly weaker** territory after as-expected ADP Employment data and the Treasury Department commented on the possibility of bond maturities over 30 years. All of this morning's market movement is just a sideshow compared to what lies ahead.

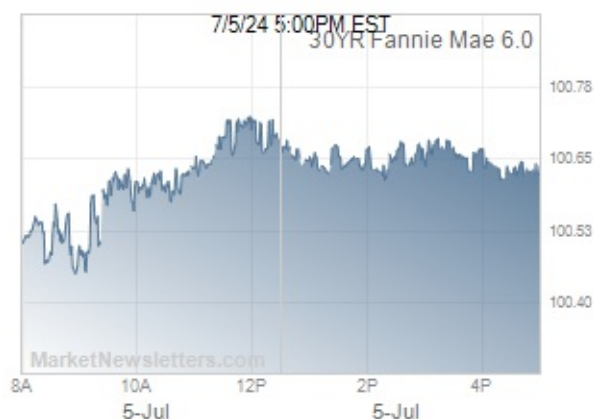
Specifically, the FOMC Announcement this afternoon is this weeks **first key event** with the power to break stocks and bonds out of clear consolidation patterns.



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

All other things being equal, when I see a chart like the Treasury candlesticks above, I tend to expect a **resistance** bounce. It just looks like that consolidation pattern has more room to run. Given that yields are currently at the lower boundary of that triangular consolidation pattern, it makes sense to expect today's default momentum to be unfriendly for bonds. Ultimately though, the Fed announcement would be **more than enough** to break either side of the pattern.

In gauging the market response, the following horizontal **technical levels** are worth watching (the teal line is thrown in as the most recent downtrend of "lower highs"--it would be the first line of defense in the event of weakness today):



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