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ALERT: Back to Unchanged After Opening Stronger

First the caveat: any lenders that put out rates early (say, before 8:30am) have now seen more than an eighth of a point of weakness. This is typically the threshold for negative repricing risk for the jumpiest lenders. Given the size of yesterday's rally and the **lack of urgency** in this morning's selling pressure, I wouldn't necessarily be expecting negative reprices just yet. All that having been said, if you were hoping to wake up to a strong continuation of yesterday's rally, you're out of luck.

Yields dipped in the overnight session (10's hit 2.18%) as European bond markets got caught up with yesterday afternoon's domestic market movement. Everything bottomed out together just after 5am (Yen, stocks, bonds) and the "**risk-off**" trade had been stalled since then. As domestic trading began, the risk-off trade began to unwind.

Again, we're **not** yet seeing some massive bounce. It's **not scary enough** to shake inclined floaters off the float boat (though that can change very quickly in these situations, so **be on high alert**). Remember, that we're expecting **some** weakness either today or tomorrow and that if it doesn't erase more than half of yesterday's gains, it bodes well for floaters in the longer-term.

The first order of business would be for the risk-off rally to break through mid-April lows. So far today, it looks like the rally is considering that mid-April zone as the first opportunity to bounce.

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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