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## The Day Ahead: Bonds May Not Decide Much Today, And That Would be a Good Thing

Bond markets may not give a stellar performance today, offering resounding confirmation of an ongoing rally. Conversely, they're not likely to rise enough to raise serious questions about an ongoing rally.

When it comes to getting a sense of potential outcomes for the immediate future, there are 2 things I would keep in mind today. One of them is **omnipresent** and the other is specific to the **current situation**.

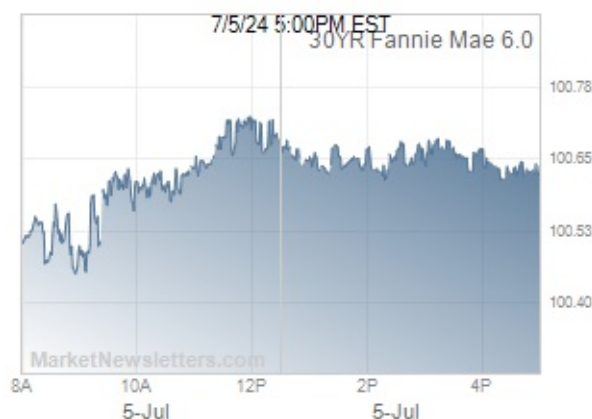
**Omnipresent:** if there were a good way to know what the next few days of trading would look like in any given market beyond a reasonable doubt, everyone would trade accordingly. Of course, not everyone can be a buyer at the same time or vice versa, so markets would "break" and the trade that looked like a sure thing would be at risk of a paradoxical reversal. In that sense, it's actually a good thing to see some balance in the force after Wednesday's big rally.

**Current Situation:** to dovetail on the point above (i.e. "good to see some balance"), yesterday's bounce back was far from heart-breaking. In fact, yesterday's closing levels were the lowest "consecutive close" of the year (a level that bonds have close at or below for at least 2 days in a row). Technicians would refer to this as a "**confirmed**" level. In other words, Wednesday's break below 2.17 was a "test," just like the tests seen on 6/6 and 6/2. In both those cases, yields were back above 2.17 the following day.

### 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
<b>Mortgage News Daily</b>			
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
<b>Freddie Mac</b>			
30 Yr. Fixed	6.95%	+0.09	0.00
15 Yr. Fixed	6.25%	+0.09	0.00
<b>Mortgage Bankers Assoc.</b>			
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



The bottom line is this: considering that we're beginning the day in slightly stronger territory and that yesterday was the first time all year we've seen a consecutive close under 2.17%, we're far from giving up hope on a broader move toward lower yields. That doesn't mean we shouldn't be cautious or defensive if markets shift to suggest it (or simply for risk-averse clients). But they definitely haven't suggested it yet.

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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

