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## MBS Recap: Scary Up Close; Tame in Context

Bond markets began the day roughly **unchanged** compared to yesterday afternoon's weaker closing levels. From there, Treasuries rallied in concert with European bonds and managed to hold the modest gains through the European close. The implication here is that the net effect of US + European trading was slightly positive for bonds. Subtracting Europe from the equation led to weakness in US bonds, but we can't take cause and effect for granted.

There were **other market movers** in play. These included headlines regarding the government shutdown. The tone was generally conciliatory--or at least not downright hostile--for both sides of the aisle. To whatever extent bonds were benefiting from the risk of a government shutdown, these headlines suggested bond market weakness. One additional fiscal headline may have added to the drama when Bloomberg reported that Trump would release his infrastructure spending plan in January 2018. In general, government spending is bad for bonds because it implies additional Treasury supply.

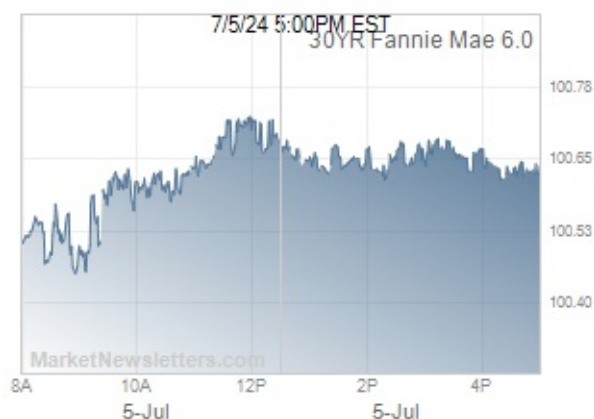
With all that out of the way, I would say that **none of it much matters** in the bigger picture. As discussed in the [Day Ahead](#), bonds were due for a bounce if they were planning on maintaining the recent range. In that context, today's weakness wasn't really that severe as it merely returned us to the center of that range. Moreover, MBS handily outperformed Treasuries, falling only 1/32nd in price by the close (Fannie 3.5).

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### MBS & Treasury Market Data

|                | Price / Yield | Change         |
|----------------|---------------|----------------|
| MBS UMBS 6.0   | 100.61        | <b>+0.22</b>   |
| MBS GNMA 6.0   | 100.74        | <b>+0.21</b>   |
| 10 YR Treasury | 4.2818        | <b>-0.0784</b> |
| 30 YR Treasury | 4.4857        | <b>-0.0440</b> |

Pricing as of: 7/5 5:59PM EST



### Average Mortgage Rates

|                                | Rate  | Change       | Points |
|--------------------------------|-------|--------------|--------|
| <b>Mortgage News Daily</b>     |       |              |        |
| 30 Yr. Fixed                   | 7.03% | <b>-0.05</b> | 0.00   |
| 15 Yr. Fixed                   | 6.44% | <b>-0.01</b> | 0.00   |
| 30 Yr. FHA                     | 6.50% | <b>-0.05</b> | 0.00   |
| 30 Yr. Jumbo                   | 7.24% | <b>-0.01</b> | 0.00   |
| 5/1 ARM                        | 7.05% | <b>-0.02</b> | 0.00   |
| <b>Freddie Mac</b>             |       |              |        |
| 30 Yr. Fixed                   | 6.95% | <b>+0.09</b> | 0.00   |
| 15 Yr. Fixed                   | 6.25% | <b>+0.09</b> | 0.00   |
| <b>Mortgage Bankers Assoc.</b> |       |              |        |
| 30 Yr. Fixed                   | 7.03% | <b>+0.09</b> | 0.62   |
| 15 Yr. Fixed                   | 6.56% | <b>+0.09</b> | 0.54   |
| 30 Yr. FHA                     | 6.90% | <b>+0.11</b> | 0.95   |
| 30 Yr. Jumbo                   | 7.11% | <b>-0.01</b> | 0.50   |
| 5/1 ARM                        | 6.38% | <b>+0.11</b> | 0.54   |

Rates as of: 7/5

## Expert Advice | Exceptional Service | Flawless Execution

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**

