



**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](mailto:richblanchard@richhomeloans.com)  
[View My Website](#)

## The Day Ahead: Limited Data as Bonds Consider New Trading Range

If the US/Iran flare up provided an opening act to the unexpected drama of 2020, coronavirus has been the headliner. Before these two events took the stage, there was every possibility that 10yr yields would make good on their threat to break back above 2.0%. After all, 8 of the last 10 days of 2019 saw yields above 1.93%.

The counterpoint is that all of that staging just under 2.0% (**without** any attempt to break higher) was actually evidence of bond-buying support. Sure, we had a phase 1 trade deal that was expected to clear up some uncertainty among businesses in certain sectors, but not nearly as much as the ultimate deal (not sure which phase that will be?). And the final deal could take months or more (Trump mentioned "after the 2020 election" on more than one occasion).

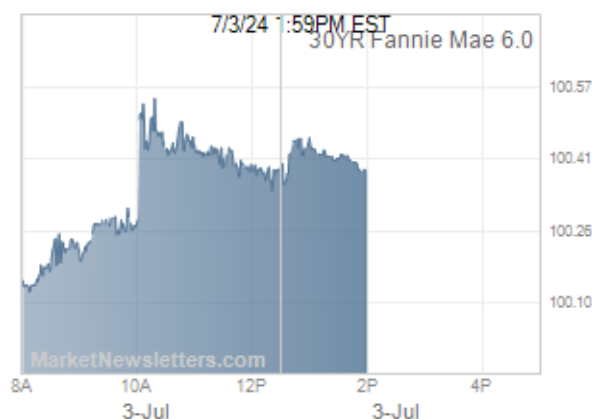
In the meantime, the bond market was already planning on concerning itself with monitoring global economic momentum and the potential for a cyclical economic shift. All of the above would be occurring against a backdrop where conventional measures showed intractable inflation, and a puzzling disconnection from a strong labor market and low tax rates.

All that to say that we might have had the chance to start 2020 with 10yr yields pushing back against a 2.0% regardless of coronavirus. But with the epidemic concerns, we quickly found ourselves nearly 50bps lower. After a disconcerting head-fake back toward higher yields early last week, we're now settling in to a new, narrow range between 1.50 and 1.67% as we wait for next move. The fact that we're holding near the lower end of that range as a week of Treasury supply begins is reassuring.

## MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.39	+0.19
MBS GNMA 6.0	100.53	+0.14
10 YR Treasury	4.3602	-0.0724
30 YR Treasury	4.5297	-0.0761

Pricing as of: 7/3 5:59PM EST



## Average Mortgage Rates

	Rate	Change	Points
<b>Mortgage News Daily</b>			
30 Yr. Fixed	7.08%	-0.05	0.00
15 Yr. Fixed	6.45%	-0.02	0.00
30 Yr. FHA	6.55%	-0.05	0.00
30 Yr. Jumbo	7.25%	-0.04	0.00
5/1 ARM	7.07%	-0.03	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: 7/3



In general, there's not much to do on the first few days of this week apart from keeping tabs on coronavirus developments and bonds' **technical** suggestions. The week's only significant data hits on Friday with Retail Sales. Before that, the Treasury auction cycle may incite some volatility if the auction stats speak to traders' level of comfort in this new, narrow trading range.

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Rich E. Blanchard

