



## 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: Bonds Trying to Find Footing on a Ceiling

Thinking about the bond market in terms of rates and yields affords certain analytical luxuries. One is the ability to think in "upside down" terms where fans of low rates hope to break floors and find footing on ceilings. The most recently established floor for 10yr yields was 1.575 as of the end of last week. Yields had bounced there several times without any solid attempt to break through. The over-the-weekend gains changed things.

With yields beginning the week yesterday at 1.54% and change, we had a clear first line of defense at the 1.575 ceiling. Traders didn't waste much time testing its strength yesterday as there was a very quick move from 1.54 to 1.575 early in the day. But the ceiling held and it endured 2 additional bounces in the overnight session.

Now in the domestic session the following day, the 1.575 ceiling is being actively tested again. Yields have been as high as 1.587 so far this morning, but are currently right in line with the ceiling. (NOTE: the following chart has HOURLY candlesticks, not daily).



## 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

What does it all mean? Nothing earth-shattering here... The broadest view of the current trading range is 1.50 to 1.67, so we're really only dealing with an intermediate pivot point in 1.575. If we had to assign it some significance, it would be to gauge the bond market's willingness to continue a move back down to the lowest levels in the range. In other words, remaining under 1.575--especially if yields bounce there a few more times--suggests a bullish predisposition and one that should result in a visit to the next significant technical level, 1.50%. Conversely a quick break above 1.575% would reinforce the broader sideways range and frame yesterday's rally in the light of a temporary, over-the-weekend adjustment.

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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**

