



## Rich E. Blanchard

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## The Day Ahead: Will Powell Drop Any Hints?

In ancient financial market times (let's say any time before 2009), a massive economic shock resulted in a pervasive move lower in both stock prices and bond yields. This is a logical way to move away from risk and protect return-on-investment. This dynamic is still very much in play, but it is **more complicated** in the era of deep involvement by the Federal reserve in open markets.

All that to say Coronavirus caused a very logical move lower in stocks and bond yields, but it has been the Fed's reaction that is responsible for **most** of the movement since mid-March. Without the Fed, liquidity and issuance concerns may have meant 10yr yields remained over 1%, or close to it. Stock volatility would certainly be higher and prices would certainly be much **MUCH** lower.

One can only guess what an **alternate reality** would look like where the Fed does NOT intervene in an attempt to smooth out economic volatility. History may look back on these attempts as **genius** or **folly**. Either way, the Fed is **constantly** willing to double down on the bet that intervention is a good idea. As such, official communications, such as today's webcast and Q&A with Fed Chair Powell, have become even more important, even if a bit predictable.

Why predictable? We know the topic of **negative rates** will come up. It's come up way too much in speeches from every other FOMC member in the past 2 weeks for Powell not to address it. He will say it's not happening or at least very low on the list of the things the Fed might do to offer additional support. With that in mind, he will reiterate his stance that the economy will need additional support.

If we're not cutting rates below zero, that additional support must come in the form of liquidity measures and/or **QE (quantitative easing** aka Fed bond buying). The bond market is curious (and nervous) to hear any hints about what a permanent phase of QE might look like. In the past 2 months, we've only really had "emergency liquidity measures."

Powell will take the ePodium (is it still a thing to put "e" before words to signify an electronic venue/format?) at 9am ET.

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## 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	6.86%	-0.01	0.00
15 Yr. Fixed	6.16%	+0.03	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

## 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**

