



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
[View My Website](#)

The Day Ahead: Catching Falling Knives For Fun and Profit

Yesterday's morning notes laid out an ominous technical comparison to last January and we promptly proceeded to have the best rally of the year. There are a few points of order though.

First, the default theme of this and any sustained rally is that the trend is our friend until it is not our friend any more. Again, it will take 2-3 **BIG** days of selling to threaten to derail this rally. It could begin today, or it could begin a month from now. On any given major sell-off day, it could already be halfway over. As for now, it's still friendly.

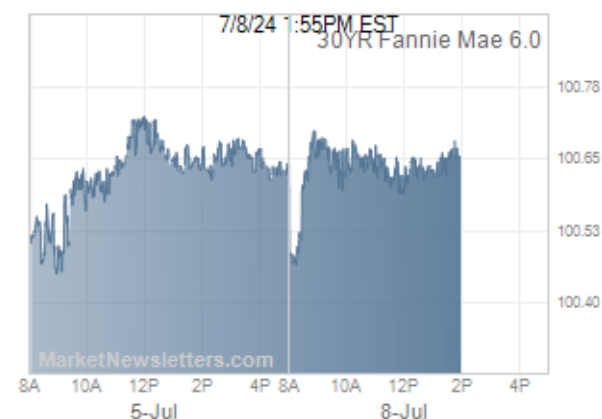
Second, the technical comparison to last January is a big picture consideration, and unfortunately, it still can't be ruled out. I don't mean to harp on this like some sort of analyst that's overly invested in a particular idea. My goal is to convey that yesterday didn't obviate the technical risk and we're **not out of the woods** yet.

In fact, yesterday's rally ended up making the current winning-streak look **even more** like 2015's in several ways. Most importantly, 2015's rally also saw yields pull back up from the lower bollinger band (seen in the chart below) only to come crashing back to the lowest levels of the trend before ultimately pulling higher more forcefully.

MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.66	+0.05
MBS GNMA 6.0	100.73	0.00
10 YR Treasury	4.2676	-0.0142
30 YR Treasury	4.4590	-0.0267

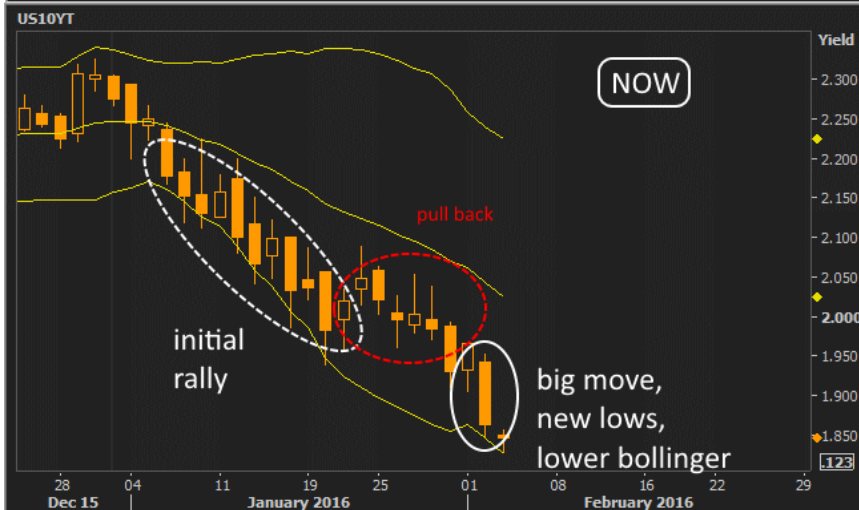
Pricing as of: 7/8 1:54PM EST



Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.01%	-0.02	0.00
15 Yr. Fixed	6.41%	-0.03	0.00
30 Yr. FHA	6.48%	-0.02	0.00
30 Yr. Jumbo	7.22%	-0.02	0.00
5/1 ARM	7.03%	-0.02	0.00
Freddie Mac			
30 Yr. Fixed	6.95%	+0.09	0.00
15 Yr. Fixed	6.25%	+0.09	0.00
Mortgage Bankers Assoc.			
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: 7/8



The fact that these technical considerations coincide with the 1.84 level in 10yr yields makes things all the more exciting. This is a pivot point that has some **serious history** for bond markets--essentially serving as the dividing line between the golden age of low rates in 2012 and almost everything else. (NOTE: a chart as densely-packed as the following doesn't truly convey just how incessant 1.84 was as a floor in late 2011 and as a ceiling in 2012. It was the most active long-term pivot point of the entire QE era).



If you're wondering exactly where I stand, I would say I'm a **believer** in the medium-to-long term potential of the bond rally, but any month-long move as strong as January's will make me **wary** about a temporary pull-back. If such a pull-back materializes, this week could end up being the classic "shoulda locked" week for short-term scenarios. Longer time horizon folks may indeed get another chance even if we pull back now.

And of course, we **may not even pull back** now! That's a fun "maybe," right?! Adding to the fun is the fact that economic data has been so hit and miss as a market mover (mostly miss). ADP Employment at 815am is one of two reports remaining between now and NFP that could rise to the challenge. Incidentally, the other report is ISM Non-Manufacturing, also out this morning (10am).

Subscribe to my newsletter online at: <http://housingnewsletters.com/richhomeloans>

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

