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: The Sun Also Rises For Bond Markets

The past week has been **unpleasant** for bond markets, to say the least. Even before that, the strong bounce off the long-term lows in mid-February forced us to consider that the sun might be setting for 2016's impressive rally. But it's good to remember that same old axiom about "ebbs and flows" when it comes to trading momentum. We most recently discussed this in the context of bonds' need to inhale periodically before breathing more fire.

Even so, it's **hard (and perhaps even stupid) not to be concerned** that the sharper corrections are something more than mere corrections. With rates operating near-enough all-time lows, any big bounce could mean we just witnessed a long-term bottom. Painful reminders dot the timeline over the past few years: early 2009, late 2010, mid 2013, and early 2015. None of these ended up being the final word for the 30+ years of bond market rally, but each of them stood as "wish I would have locked then" moments (incidentally, that's why it always makes sense to assume that's happening every time we get a bigger bounce).

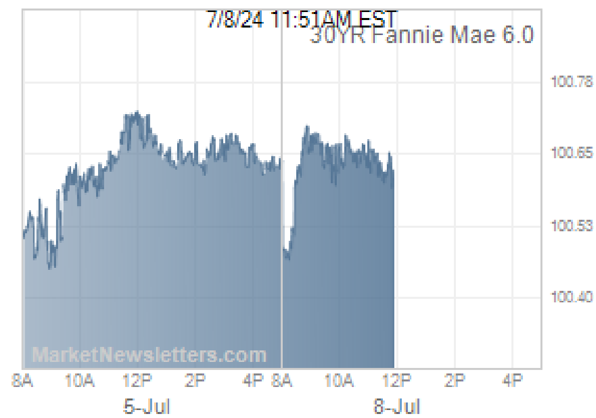
But I've covered the bearish eventualities more frequently over the past few weeks, so now let's take a moment to remember that each time the sun set on those epic bond rallies of the past, it eventually rose again. Moreover, let's remember that bonds (or any financial instrument, really) **can't** simply just move in one direction forever. By definition, a marketplace has buyers and sellers. Markets don't work if they're all on one side of the trade. There are constant imbalances (more buyers than sellers, or vice versa) and these create movement, but eventually, they correct themselves.

The past few weeks of selling could easily be viewed as a **correction to a POSITIVE imbalance** over the first 6 weeks of the year. In fact, the rally coming into 2016 was so strong that we could see 10yr yields rise into the low 2's and STILL not exit the broader rally.

MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.63	+0.01
MBS GNMA 6.0	100.77	+0.04
10 YR Treasury	4.2876	+0.0058
30 YR Treasury	4.4768	-0.0089

Pricing as of: 7/8 11:51AM 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

On a final, related note, let's also remember that other markets go through this same ebb/flow cycle. If we consider how big a role stock selling has played in the bond market rally in conjunction with the recent stock market strength also potentially being an **ebbing of the bigger-picture cycle**, there's further room for hope. Of course, if stocks break out the top of this parabolic, big-picture reversal, we could be totally screwed, but until and unless that happens, don't board up your east-facing windows just yet.

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