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MBS Recap: Death by 1000 Cuts as Steady Selling Continues

- Pointless, confused trading day for multiple markets
- Bonds struggled sideways at first, then broke into weaker territory for no apparent reason
- Stocks traded higher at the same time, but correlation is questionable
- Best thought of as end-of-week position squaring
- Treasuries got hit harder than MBS, as per usual during sell-offs

Traders phoned it in today, beginning precisely at 11am. This was painfully evident in the uncannily flat line in bond market charts from then until close. 10yr yields, for instance, **easily held inside a 1bp range**. Fannie 3.0s held inside a 101-13 to 101-14 range. Volume was unsurprisingly low.

Unfortunately, this flatness followed another dose of weakness in the mid-morning hours. Although stocks were moving higher during that time, bond markets were definitely **marching to their own beat**. With today's light volume, it's easier to conclude that some of yesterday's lingering long positions (those who stepped in to buy bonds when yields had risen enough) were taking those bets off the table before liquidity dried up completely.

As is typically the case during sell-offs, MBS outperformed Treasuries. Whereas 10yr yields ended the session 4.4bps higher, MBS were only 6 ticks lower, and the average rate sheet was maybe higher by an implied 1-2bps. **Death by a thousand cuts**, to whatever extent rates in the high 3's are deadly...

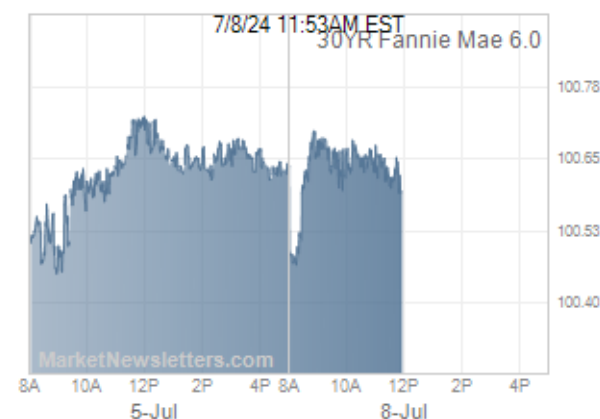
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MBS & Treasury Market Data

| | Price / Yield | Change |
|----------------|---------------|---------|
| MBS UMBS 6.0 | 100.59 | -0.02 |
| 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 11:52AM 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

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