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## MBS Recap: Bonds Shy Away From Firm Confirmation of Shift

- Bonds had a chance to confirm the start of a new trend today
- Instead, they stayed on last week's fence
- Could be bad, could be nothing
- ISM Prices Paid hurt us more than headline helped

Perhaps it's just a Monday thing or perhaps it's because I'm not that bright, but there was really only one interesting takeaway for bond markets today in my opinion. It had to do with **this morning's ISM data** and its inflation component. The whole dynamic of the data release and subsequent market reaction reminded me of the most recent preliminary Consumer Sentiment data.

The whole dynamic of the data release and subsequent market reaction reminded me of the most recent preliminary Consumer Sentiment data. In a nutshell, headline sentiment was fine, but the inflation expectations dropped noticeably. Bonds rallied, and **that was notable** because bonds rarely ever react to Consumer Sentiment these days.

Today's ISM data was a **similar dynamic playing out in reverse**. The headline index was 50.8 vs 51.4--at best, worth an equivocal market reaction--but the "prices paid" component rose to its highest levels since late 2014. Many pundit-types like to watch the price reports in manufacturing surveys as an early indicator for inflation being passed through to the consumer. Considering we're basically left with inflation as the only remaining Fed rate hike roadblock, anything that hints at inflationary traction could be bad for bonds.

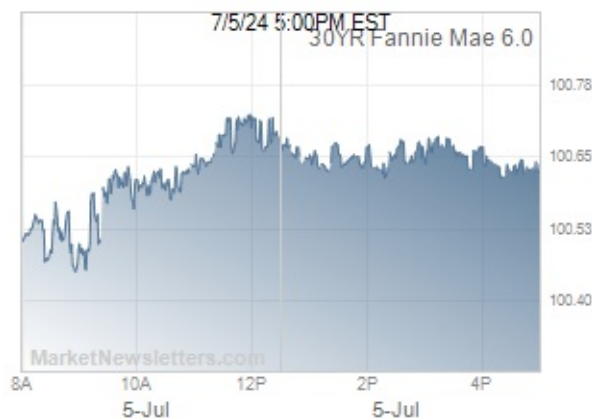
Perhaps today was that simple, or **perhaps it was an even simpler story** of very light volumes allowing yields to be pushed around more easily by the typical amount of 'new-month' trade flows. In terms of trading levels, we didn't lose enough ground to firmly kill the dream of staging in the mid 1.8's for another break lower, but we definitely didn't see the sort of high-conviction bond buying that sends everyone running for the float boat.

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## MBS & Treasury Market Data

|                | Price / Yield | Change  |
|----------------|---------------|---------|
| MBS UMBS 6.0   | 100.61        | +0.22   |
| MBS GNMA 6.0   | 100.74        | +0.21   |
| 10 YR Treasury | 4.3076        | +0.0258 |
| 30 YR Treasury | 4.5027        | +0.0170 |

Pricing as of: 7/8 7:51AM EST



## Average Mortgage Rates

|                                | Rate  | Change | Points |
|--------------------------------|-------|--------|--------|
| <b>Mortgage News Daily</b>     |       |        |        |
| 30 Yr. Fixed                   | 7.03% | -0.05  | 0.00   |
| 15 Yr. Fixed                   | 6.44% | -0.01  | 0.00   |
| 30 Yr. FHA                     | 6.50% | -0.05  | 0.00   |
| 30 Yr. Jumbo                   | 7.24% | -0.01  | 0.00   |
| 5/1 ARM                        | 7.05% | -0.02  | 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: 7/5

## 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**

