



**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](mailto:richblanchard@richhomeloans.com)  
[View My Website](#)

## The Day Ahead: Crude Realities and a Tipping Point on Rate Hike Expectations

- Bonds continue sideways grind in bigger picture
- Lots of focus remaining on Oil prices in news and analytical community
- Is it justified?

As bond markets continue operating in a painfully narrow range following last week's FOMC Minutes, there are only so many ways to discuss rate movement in and of itself. So perhaps it shouldn't be too surprising to see rate movement discussed in the context of other markets. "Oil" has been a perennial favorite--in 2016 especially--and today's first chart **leaves no doubt** as to why that is.

Particularly, look at the top section first, which shows the extreme correlation seen between oil, stocks, and bonds. All of that transpired right at a time when market participants were scratching their heads as to the source of the movement. Given that oil was "there" and moving in almost perfect harmony with bonds, the thesis quickly took root that oil was **pulling the strings** of the rest of the global financial market. Incidentally, the global financial market has gone on to prove it's not nearly as concerned with oil as the level of coverage suggests.

### 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	4.3145	+0.0327
30 YR Treasury	4.5079	+0.0222

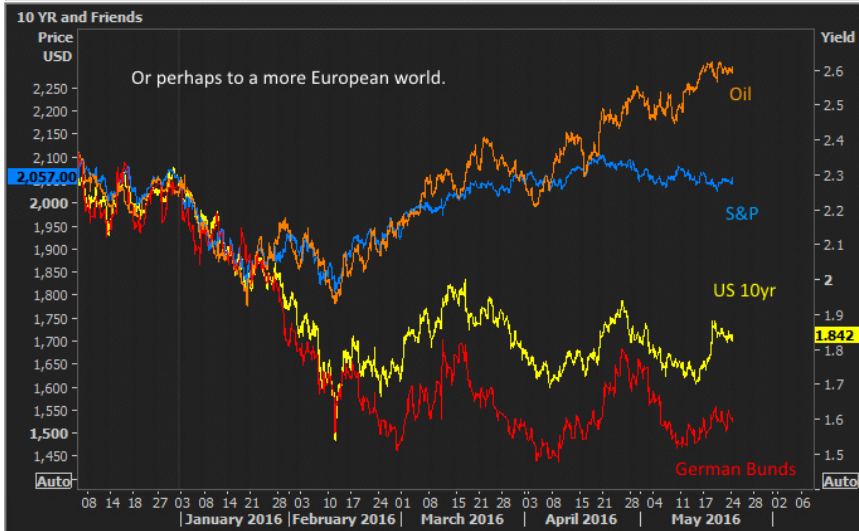
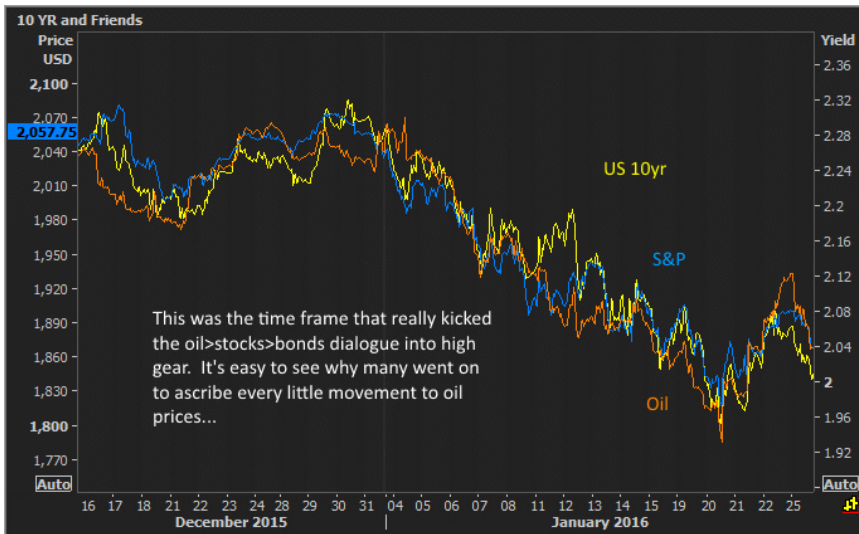
Pricing as of: 7/8 5:49AM EST



### 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



In addition to European bond markets being a poster child for "global growth malaise," the **more recent market mover** has been a resurgence in Fed rate hike horse trading. Part of 2016's early strength had to do with rapidly decreasing odds of a 2016 Fed rate hike. As soon as those odds bounced, so did longer-term rates. In fact, the "consolidative" ranges seen in 10yr yields and MBS are just smaller versions of the consolidative range in Fed rate hike expectations. The following chart expresses these expectations in the form of 2yr yields, but would work just as well with Fed Funds futures.



As you can see, 10's have been doing a good job fighting off the increasing rate hike expectations, but if expectations increase more from here, it will **add serious pressure** on 10's to break out of their own consolidative range. All of this takes heavy precedence over something like today's New Home Sales data, although the balance of economic data in the next few weeks will generally inform rate hike forecasts.

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

