

# **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

## UPDATE: Yields Make New Lows Overnight, Getting Close Again After Data

- 10yr yields were as low as 1.538 overnight
- Surprisingly small reaction in European markets to yesterday's Fed
- European yields opened lower, but moved higher into US hours
- Data was a non-issue, allowing bonds to improve after European yields hit a ceiling

European bond yields logically opened in stronger territory. This was to be expected, considering they didn't have a chance to trade yesterday's FOMC events and thus had **some catching up to do**. But the impact was surprisingly small. German Bunds only moved roughly 1.5bps lower before bouncing moderately higher. British yields cut a similar path in terms of relative movement.

In general, that overnight weakness wasn't driven by any specific events. Rather, it's part of an ongoing process of advancing and consolidating. We have yet to see the sort of **heavy selling** that makes us think the jig is up for the global bond market rally, and many would argue we're immune from such things until after the Brexit vote next week.

Case in point, this morning's weakness fizzled out right as European yields were reaching yesterday's strongest levels. That's a **classic technical move**-using yesterday's floor as today's ceiling. Domestic bond markets got in on the action as well, bouncing right at 1.575--almost perfectly in line with yesterday's lowest yields.

10s are now back down to 1.543, which is getting very close to the overnight low of 1.538. MBS are naturally underperforming--something they ALWAYS do when sovereign bond markets are setting this sort of pace and operating at long-term range boundaries (one exception was the Sept 2012 QE3 announcement, because it specifically targeted MBS).

The "floor/ceiling" behavior gives us **good warning levels** (i.e. 1.575 in 10yr yields) to watch in the event of weakness, but we'll cross that bridge if we come to it. For now, enjoy the ride.

#### 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	4.2939	+0.0121
30 YR Treasury	4.4881	+0.0024

Pricing as of: 7/8 3:55AM EST

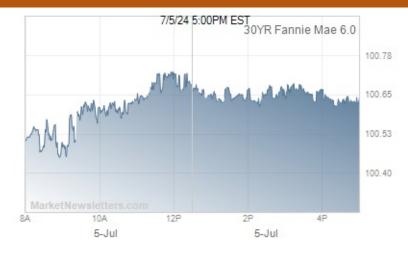
#### **Average Mortgage Rates**

	Rate	Change	Points
Mortgage News	Daily		
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
Freddie Mac			
30 Yr. Fixed	6.95%	+0.09	0.00
15 Yr. Fixed	6.25%	+0.09	0.00
Mortgage Banke	rs 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
D-4			

Rates as of: 7/5

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