



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: A Brief History of Long-Term Yield Lows (Freak-Out Roadmap)

- Is it time to freak out?
- No, not yet

Bond yields are at long term lows and that's both exciting and scary. It's exciting for obvious reasons (most people like low rates), but scary because long term lows, by their very definition, occur just before a bounce toward higher rates.

The trick, of course, is to determine when we're seeing such a bounce (as opposed to mere "volatility on the way toward lower rates"). The **other trick** involves deciding when a bounce has gone from simply **confirming** the end of the previous trend to **suggesting** the beginning of a new trend toward higher rates.

In most of the following historical examples, we can see a similar theme with respect to the aforementioned "tricks." Identifying the "bounce" requires either **time** or a **sufficient weakness**. The suggestion of a new, weaker trend requires a break of the previous long-term low OR a RANGE of yields centered on the previous low.

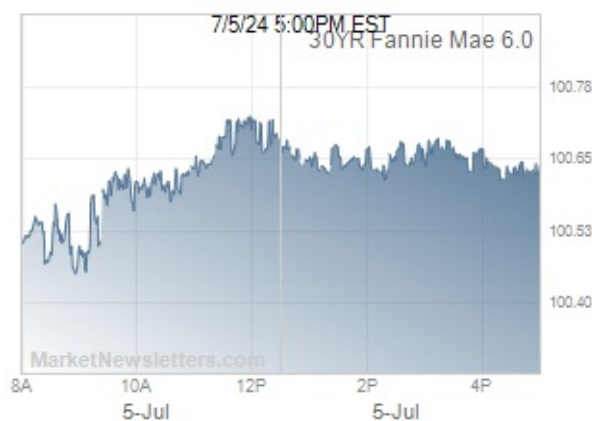
I bring all this up because yesterday--more than any other recent day--suggested that the long-term lows in bond yields are running into resistance. Add to that the fact that technicals are beginning to suggest a bounce and it makes sense to think about playing defense. But in the biggest of pictures, we'll see in the examples below that this sort of weakness is sometimes part of a **broader "bottoming out"** process in rates. Sure, it COULD be a bigger bounce. It could also simply be a pause on the way lower. Both options begin the same way and we haven't seen enough of a rise in rates over the past 48 hours, nor have we allowed enough time to pass in order to conclude that the current bounce belongs in the same league as the previous examples.

All that having been said, I'm **still feeling defensive**, simply because I think the Brexit effects have been overdone in terms of market preparation, and because of the difficulty lenders are facing in passing gains through to rate sheets at current levels. Defense makes sense. If defense ends up being the wrong call, it will involve the opening up of new liquidity in lower MBS coupons and none of us will care about having leaned too far toward locking at current levels.

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	4.2954	+0.0136
30 YR Treasury	4.4890	+0.0033

Pricing as of: 7/8 3:54AM 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 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: 7/5

Here's the chart:





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

