



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: Consolidations Are Everywhere And This One's About to Break

First thing's first: "consolidation" refers to a pronounced narrowing of a trading range after an uptrend or downtrend. Consolidations can occur with a slight **positive or negative** bias (as long as the trading range is narrow enough), but the most glaring examples are those that orbit the same central levels for their duration.

Consolidations come in a wide **variety of sizes**. The biggest arguable consolidation lasted 4 years (from 2003 to 2007) when bond markets took their only extended break from the longer term rally that began in the early 80's. 2016 has offered a fairly big consolidative range. It lasted from February through early June and then broke in favor of lower rates over the past 2 months.

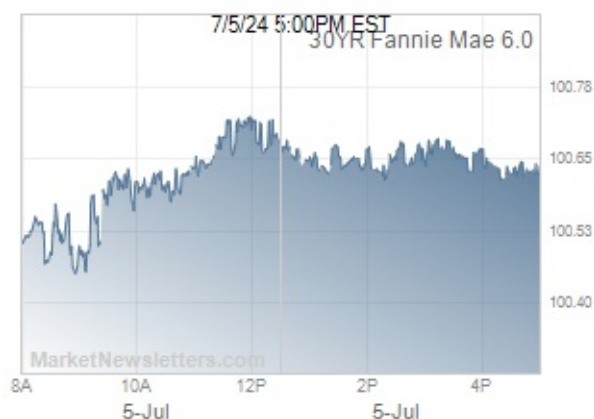
Over the past 2 weeks, however, we've had a **different consolidation**--this time much smaller and narrower. With the conventional wisdom behind consolidations suggesting that they will eventually have the chance to kick off the next round of higher conviction momentum, and with today bringing the FOMC Announcement, it's increasingly likely that we'll see a break of the micro-consolidation seen in the chart below. Granted, we could be forced to keep waiting for Japan's policy announcement later this week, but eventually, the consolidating lines will simply run out of room.



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	4.2979	+0.0161
30 YR Treasury	4.4989	+0.0132

Pricing as of: 7/8 1:53AM 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

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