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## The Day Ahead: Bank of Japan Disappointment Offsets FOMC Excitement

With 10yr yields up only 2.2bps to begin the day and MBS down only 2 ticks, it's interesting to note that initial reaction to the overnight policy announcement from the Bank of Japan was **actually a bigger market mover** than Wednesday's FOMC Announcement. The catch is that bond markets were able to stop the bleeding and find some support as the domestic session approached. Thus the recent range was never even remotely close to being threatened.

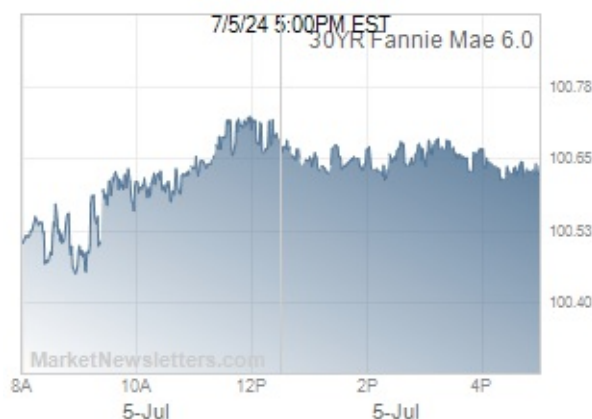


As I write, Advance GDP (the first look at Q2, and thus more surprise potential) has just now come out at **+1.2 vs a forecast for +2.6**. Logically, bonds have improved quickly on that news, bringing Treasuries and MBS back to 'unchanged' levels. It now falls Chicago PMI at 9:45am to inspire bond markets. Beyond that, the most relevant fact about today is that it's the last trading day of the month. Read our [primer on month-end bond buying and its effect on rates](#) if you haven't already.

## MBS & Treasury Market Data

|                | Price / Yield | Change         |
|----------------|---------------|----------------|
| MBS UMBS 6.0   | 100.61        | <b>+0.22</b>   |
| MBS GNMA 6.0   | 100.74        | <b>+0.21</b>   |
| 10 YR Treasury | 4.2969        | <b>+0.0151</b> |
| 30 YR Treasury | 4.4975        | <b>+0.0118</b> |

Pricing as of: 7/8 2:00AM EST



## Average Mortgage Rates

|  | Rate | Change | Points |
|--|------|--------|--------|
|--|------|--------|--------|

### Mortgage News Daily

|              |       |              |      |
|--------------|-------|--------------|------|
| 30 Yr. Fixed | 7.03% | <b>-0.05</b> | 0.00 |
| 15 Yr. Fixed | 6.44% | <b>-0.01</b> | 0.00 |
| 30 Yr. FHA   | 6.50% | <b>-0.05</b> | 0.00 |
| 30 Yr. Jumbo | 7.24% | <b>-0.01</b> | 0.00 |
| 5/1 ARM      | 7.05% | <b>-0.02</b> | 0.00 |

### Freddie Mac

|              |       |              |      |
|--------------|-------|--------------|------|
| 30 Yr. Fixed | 6.95% | <b>+0.09</b> | 0.00 |
| 15 Yr. Fixed | 6.25% | <b>+0.09</b> | 0.00 |

### Mortgage Bankers Assoc.

|              |       |              |      |
|--------------|-------|--------------|------|
| 30 Yr. Fixed | 7.03% | <b>+0.09</b> | 0.62 |
| 15 Yr. Fixed | 6.56% | <b>+0.09</b> | 0.54 |
| 30 Yr. FHA   | 6.90% | <b>+0.11</b> | 0.95 |
| 30 Yr. Jumbo | 7.11% | <b>-0.01</b> | 0.50 |
| 5/1 ARM      | 6.38% | <b>+0.11</b> | 0.54 |

Rates as of: 7/5

Month-end tends to be more supportive, all things being equal. On one hand, that **increases the temptation** to lock based on the fear that the removal of that supportive overtone will result in weakness next week. **On the other hand**, bonds have just shown a greater propensity to "buy the dip" (in prices) over the past 2 weeks, suggesting that the supportive overtone may transcend mere month-end buying. Or both of these considerations could be superseded by next week's NFP data (which could easily ramp up the Fed's rate hike outlook if it's super strong, or vice versa).

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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**

