



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](#)

MBS Recap: What Does Microsoft Have to Do With Mortgage Markets?

We were already defensive, to some extent, about the possibility that last Friday's gains were driven by [month-end trading needs](#). Indeed, there was a **noticeable lack of buying demand** right out of the gate today (both in the overnight and domestic sessions). But then Microsoft gave bonds an even bigger reason to head toward higher yields--19.75 billion reasons, in fact.

Treasuries and MBS **are not** the only games in town when it comes to bonds/debt/loans/credit. Of course there are auto loans, and you've probably heard of municipal debt as well. But the biggest and most frequently noticeable of these other debt markets is that of corporate bonds.

Simply put, corporate bond issuance affects mortgage rates by affecting the overall bond market supply situation. When a corporation issues a ton of debt, it **steals investors' attention** (and money) away from Treasuries and MBS. Lower buying demand in MBS means lower prices and higher rates. (Here's the [corporate bond primer](#) if you haven't seen it already.)

Microsoft **issued a ton of debt** today. It's not that markets didn't know this was coming--just that they didn't know exactly when or how much. So there's always a little bit of shock value when it actually happens, and frequently a bit of 'supply indigestion' when it happens right out of the gate on Monday morning of NFP week.

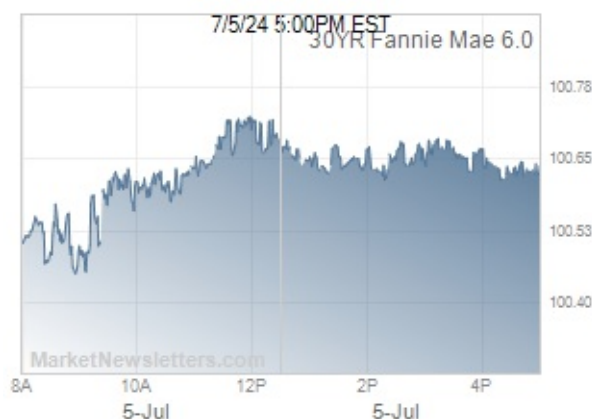
Weaker economic data made for a brief reprieve at 10am, but the afternoon was dominated by traders selling all manner of assets to get in on the Microsoft deal. The bond weakness prompted more selling among opportunistic traders, thus making for a bit of **"snowball selling"** heading into the close. 10yr yields ended at an important technical pivot point of 1.52%.

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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	4.2974	+0.0156
30 YR Treasury	4.4951	+0.0094

Pricing as of: 7/8 1:56AM 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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