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The Week Ahead: Bonds Attempt to Defend Against Highest Yields Since Brexit

Bond markets sold-off fairly aggressively following Friday's strong jobs report with 10yr yields moving up nearly 10bps and Fannie 3.0s falling roughly 3/8ths of a point. This quickly put bond markets at levels that connote the upper edge of a range that began in mid-July (also the highest closing yields since before Brexit).

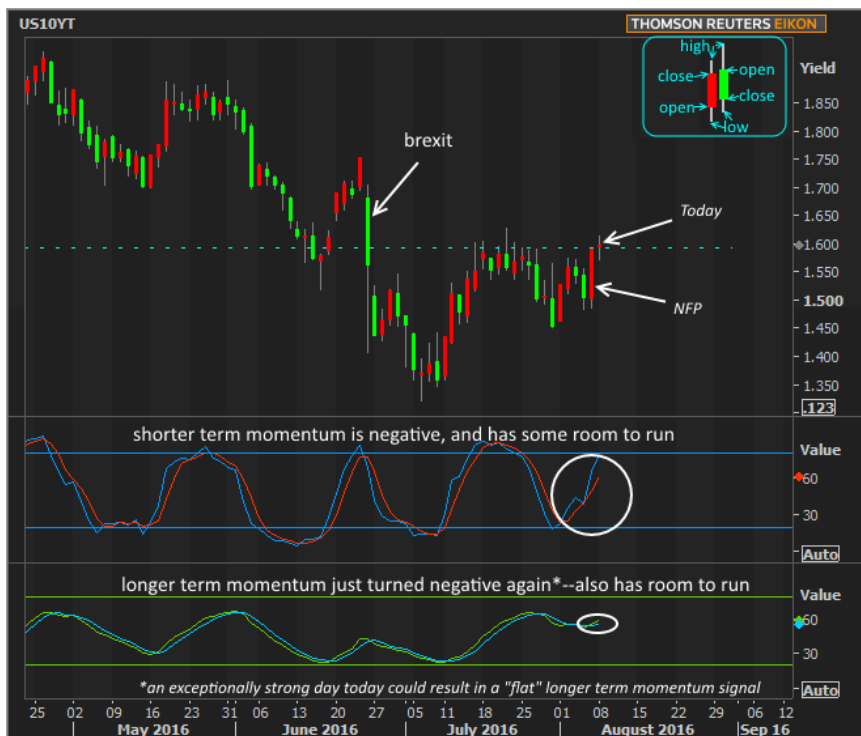
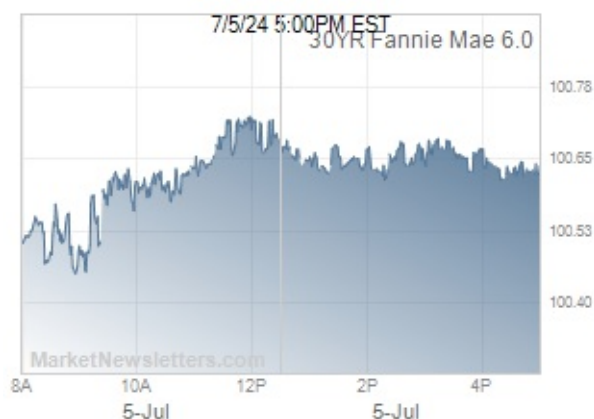
That range was remarkably narrow at first, and very well-behaved in that yields bounced fairly predictably when they hit the ceiling or floor. These "high-repetition" range boundaries **tell us more** about what markets are thinking when they're broken (if they're broken).

Specifically, if yields have been hitting their head on the same old ceiling multiple times in a row, we can then conclude that it **"means something"** when and if that ceiling is finally broken. Bonds would need to hold near unchanged at the very least today, if they're to avoid that fairly ominous signal.

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	4.4980	+0.0123

Pricing as of: 7/8 1:57AM 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

The chart above shows what today would look like if we closed right now. But if we manage to gain just a little bit of ground, we'll technically remain in that range. Challenges will arise chiefly in the form of "supply" this week as we have limited data, but lots of new bonds hitting the market. There are Treasury auctions on Tue-Thu, as well as expectations for another big week of [corporate bond issuance](#). The **only meaningful data** hits on Friday in the form of Retail Sales and Producer Prices.

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