



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: Bonds Making Big Decisions or Merely Acquiescing?

In July 2012 and July 2016, 10yr yields visit to all time lows was **cordoned-off fairly neatly** by yields in the 1.50-1.52 neighborhood. We've been talking more about 1.52 this time around, but in the biggest of pictures, it doesn't really matter. In both cases, yields broke below 1.5-ish, and then treated it as a ceiling for a while before ultimately moving higher.

In both cases, a battle was being fought in early August--a battle for reentry to the all-time low range. Looked at another way, the battle could also simply be to **avoid breaking above** the slightly higher pivot points around 1.60. In the current case, we just defended the ceiling at 1.60-ish and are now doing something we never attempted in 2012: trying to move back below not only the lower pivot point, but also the implied trendline of "higher lows" leading upward from early July's all-time lows.

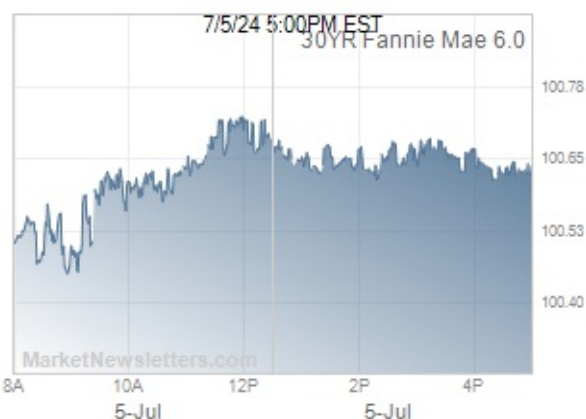


For the sake of reference, here is the similar time frame from 2012. Notice the lack of effort to break back below the diagonal line and 1.52 simultaneously:

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	4.2969	+0.0151
30 YR Treasury	4.4956	+0.0099

Pricing as of: 7/8 1:55AM 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



If we only keep these Treasury charts in mind, it's **tempting to conclude** that "big decisions" are being made or that "big things" are happening. While that's true in a sense, we must also ask ourselves if this is really that big of a deal, or really that unexpected in the context of 10yr yields around the rest of the world. Here's a chart of US 10s with the 3 other top dogs:



In the context of this chart, it's almost as if US 10s are merely **delaying the inevitable, no?** Granted, low yields overseas do not guarantee that US yields follow suit, but they do speak to the notion that another push to all-time lows would be far from unprecedented.

They speak to other things too--chiefly that the global growth environment is **unable to justify higher rates**. You can look at that either through the classical lens of "growth + inflation = rates," but I would recommend the lens that the smartest folks in the room have been using for a while now: "growth + inflation = something that's not enough to preclude increasingly accommodative monetary policy among the world's largest central banks."

Bottom line: if today isn't the day, and if this week isn't the week where US yields experience great success is breaking certain technical floors, we'll **probably get another chance**.

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

