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## The Day Ahead: Why The First Reaction to Yellen Might Not Be Our "Final Answer"

Welcome to another episode of Extreme Boredom: Bond Market Edition.

In today's episode, bonds are pressing even further into record territory, only it's not any sort of record in terms of prices or yields. Rather, today is adding to a record-breaking absence of movement! You read that right: bonds have **NEVER been flatter for longer**, and you got to witness it! (Assuming you're awake...)

We can quantify "the most sideways" designation for the world's benchmark interest rate (US 10yr) with something like the ADX (which we previously discussed [HERE](#)). This technical overlay simply allows us to observe the strength of any given trend. If rates were generally moving in the same direction on most days, the little purple line (ADX) in the chart would move higher. But when rates can't manage to build momentum in either direction, ADX falls. For the second day in a row, it's at **record lows**.

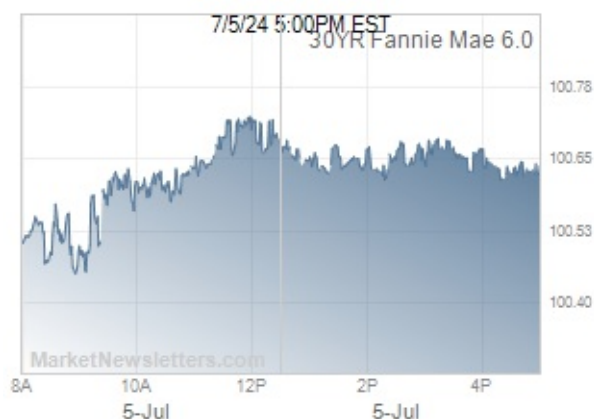


What does this mean for us? Past examples of big drops in ADX **almost always** result in the line bouncing a few times after the first big drop, and then continuing slightly lower. If a similar pattern plays out this time, we

## 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	4.2930	<b>+0.0112</b>
30 YR Treasury	4.4895	<b>+0.0038</b>

Pricing as of: 7/7 11:47PM EST



## Average Mortgage Rates

	Rate	Change	Points
<b>Mortgage News Daily</b>			
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
<b>Freddie Mac</b>			
30 Yr. Fixed	6.95%	<b>+0.09</b>	0.00
15 Yr. Fixed	6.25%	<b>+0.09</b>	0.00
<b>Mortgage Bankers Assoc.</b>			
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

could see a delayed reaction to Yellen on Friday.

It's not that bonds wouldn't necessarily react to Yellen in the short-term. Indeed, most market participants are **ready to read SOMETHING into ANYTHING Yellen says**. Rather, I'm saying that "the next discernible trend" might not take shape for another 1-3 weeks. It could even be the case that the initial reaction to Yellen is a head-fake that lasts days or weeks before markets ultimately go where they want to go.

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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.

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