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## The Day Ahead: A Second Day of Weakness Would Be a Bad Sign

Yesterday's moderate weakness in bond markets comes at an inopportune time for those hoping to see another push back to all-time lows (in either Treasuries or mortgage rates). Considering mortgage rates never quite made it to true all-time lows on this last go-round--not to mention the fact that Treasuries are the better spokesperson for **big picture momentum**--we'll focus on 10yr yields for the purposes of identifying and assessing trends.

While we're at it, let's consider German Bund yields too. They're the spokesperson (or 'spokesbond?') for big picture momentum in European bond markets, and have been one of our key sources of recent inspiration. Bottom line, if Bunds are bouncing, Treasuries are **that much more likely** to bounce.

With that in mind, consider the following chart that highlights the days following the FOMC announcement (in green for improved days and red for days with no new lows).



As the chart points out, **the risk** is that yesterday's moderate weakness was a **major warning sign** that the post-FOMC rally is over. Today (in the white rectangle) would confirm the bounce if we indeed remain in weaker territory.

## 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 | 4.3008        | <b>+0.0190</b> |
| 30 YR Treasury | 4.4951        | <b>+0.0094</b> |

Pricing as of: 7/7 9:52PM 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   |

### 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

If you want to be **optimistic** about the whole thing, you could simply view this as the rejection of continued strength, as opposed to the confirmation of renewed weakness. But if you take that approach, keep a careful eye on our supportive ceilings overhead (that's "supportive" in a **technical** sense, NOT a predictive sense). That's another way of saying "lines of defense that, **if breached**, suggest further weakness."



On a bit of a side note, I'd point out (again) that it's month/quarter end today and tomorrow. That means there's a certain amount of default, compulsory bond buying going on among traders who are forced to hold a certain amount of bonds in their portfolios by the end of the month. If we can't hold the defensive lines in that environment, it's a **slightly more negative comment** on the broader trend than if we were giving a similarly weak performance at any other random time of the month/quarter.

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## 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.

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