



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](#)

UPDATE: Nice Bounce Back, But There's a Catch

When 10yr yields approached 2.50% earlier, the sell-off was finally abject enough for traders to take the risk of "buying the dip" in bond prices. We've had a nice rally back since then. 10yr yields are all the way back down to 2.446 and Fannie 3.5s have bounce from 101-31 to 102-10. Several lenders have repriced for the better and several more may consider doing the same. But **there's a catch**.

On almost any other day, this would constitute a **huge** rally. But today, those gains leave us at **WORSE** levels than anything seen yesterday--significantly worse, in fact. Therein lies the problem. Value buying (aka "buying the dip" and/or "catching the falling knife") is to be expected after a certain amount of selling momentum, but it's what happens **AFTERWARD** that's important.

In the current case, the dip-buying rally has **failed to break** today's earlier pivot points. The best one to watch at the moment is actually a "gap" (a small range of yields, as opposed to one outright level) from 2.416 to 2.433. Let's just call it 2.42-2.43% in 10yr yields.

That gap may or may not be broken in the following 2 hours, but the fact that it **wasn't** broken **before** the 3pm CME close is a **big deal**. We could start to read some more significance into an 'after-hours' break if it occurred with strong volume and follow-through.



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	4.2818	-0.0784
30 YR Treasury	4.4857	-0.0440

Pricing as of: 7/5 5:59PM 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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