



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](#)

MBS Recap: Mid-Day Rally Reinforces Narrowing Range

After today, we're left with a clearer picture of the prevailing short-term range in bond markets. The volatile reaction to the weekend's Italian referendum, among other things, drove the intraday extremes that helped define the pattern.

The first trade during Asian market hours was **logical**. Bonds rallied because **Italy voted "no"** on the referendum. Regardless of the facts underlying the referendum (different implications could be argued for either result), a "no" vote was generally considered to increase uncertainty, chiefly because it likely paves the way for a new government. To oversimplify, a "no" vote in the Italian referendum became roughly analogous to a Trump vote in the US election.

Much like election night in the US, bonds' first move was into stronger territory, but when trading began in Europe, the gains **abruptly reversed**. The resulting sell-off wasn't nearly as dramatic in this case. Then again, the Italian referendum wasn't nearly as big a deal as the US election.

Bonds hit the US session in moderately weaker territory and the losses continued after stronger ISM Non-Manufacturing data. At the weakest levels, 10yr yields were **as high as 2.449** and Fannie 3.5s were as low as 102-09 (roughly **3/8ths of a point** lower on the day).

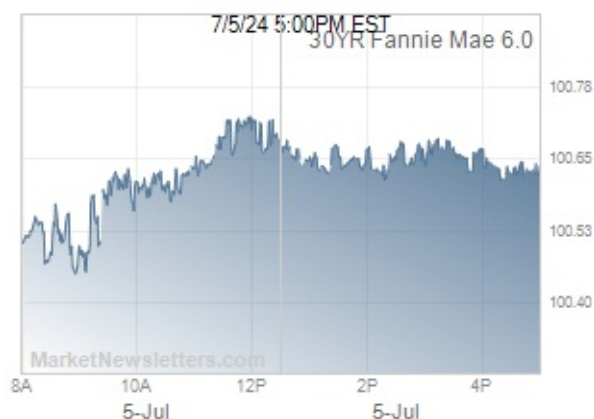
Despite the response to the ISM data, it was European trading that drove much of the weakness. As Europe wound down for the day, **bonds began to bounce**. The shift in momentum prompted a few big trades in the futures complex, further supporting the notion that some traders were indeed willing to catch the falling knife (i.e. bond traders seeing low enough prices that buying seems like a "good deal").

Ultimately, that buying demand was put in its place by the increasingly apparent consolidation pattern. In other words, bonds rallied nicely, but stopped well short of making any attempt to break through the most logical technical floor--today around 2.36 in terms of 10yr yields. This **"triangle"** (lower highs and higher lows) suggests that bonds have roughly located the plateau from which they'll digest Thursday's ECB news and, from there, embark on the next big move.

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



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

