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## UPDATE: Swing and a Miss For Econ Data (Bonds Like It!)

Bonds are quickly adjusting to the lower end of the recent range after this morning's economic data. Long story short, this **stacks the deck** in our favor heading into the Fed Announcement (i.e. with data like this, the Fed is that much more likely to release timid rate hike expectations). So what was the data?

First up, **Retail Sales**--a perennially potent market mover.

- Headline Retail Sales -0.3 vs +0.1 forecast and +0.4 last month.
- "Core" Retail Sales (excludes autos/gas/building materials/food services) 0.0 vs +0.3 forecast and +0.6 previously
- The core number was upwardly revised from +0.2

The **Consumer Price Index (CPI)** data is just as much of a market mover this morning.

- CPI -0.1 vs 0.0 forecast
- Core CPI +0.1 vs +0.2 forecast
- Annual CPI +1.9 vs + 2.0 forecast
- Core Annual CPI +1.7 vs +1.9 forecast

**Of all of the above**, the core annual CPI number of 1.7% is the sort of thing that's incongruent with frequent Fed rate hikes. That's the number the Fed wants to see at 2.0% or above. It won't deter the Fed from hiking at this meeting, but it could easily lead markets to believe the rate hike expectations will be a bit softer than previously expected.

Naturally, **bonds like the data** for multiple reasons. Weaker Retail Sales feeds the narrative of a big economic shift that we've been discussing recently. One report isn't enough to cause any massive panic (nor will a single report ever be enough to do so), but it's another brick in that wall. We might be seeing an even stronger reaction were it not for the positive revision to last month's core retail sales reading, but that's clearly a footnote, given the market reaction.

10yr yields are down a quick 4bps to 2.164 and Fannie 3.5s are up more than a quarter point at 103-08. This essentially puts bonds in a **position for a new range breakout** in the event the Fed is also bond-friendly.

## 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
<b>Mortgage News Daily</b>			

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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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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