



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](#)

The Day Ahead: Draghi Set to Discuss Killer APP, But Markets Might Not Care

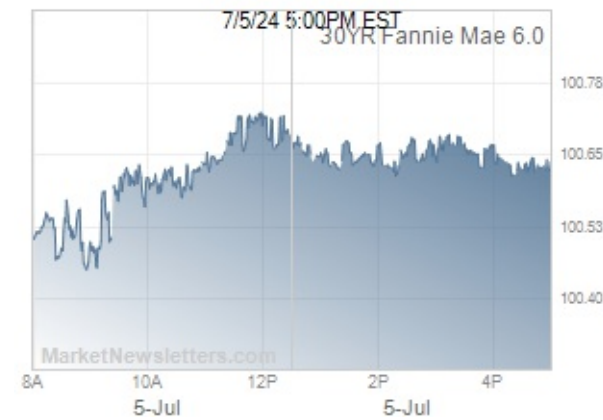
Ask me two months (or even a month ago) and I would have placed today **above** almost any other in terms of importance to the overall outlook. The reason has to do with the lower pane of today's chart.

The **biggest negative market mover** of the summer for bonds was a series of comments from European Central Bank (ECB) President Mario Draghi that alluded to tapering its Asset Purchase Program (APP). German Bunds (Europe's 10yr benchmark rate) spiked and led US Treasuries higher. Draghi and the ECB subsequently **backpedaled**. At the next policy meeting, Draghi disavowed any discussion of tapering and said it would likely come up the September meeting. **Today** is the conclusion of that meeting.

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



As the chart shows, ECB bond buying has been a **big deal** for US bond markets. You might even say the initial phase in 2014 (not of actual buying, but of the political process leading up to an official QE announcement in early 2015) saved US bond markets from a more dire fate following 2013's taper tantrum. It was only natural for bonds to take Draghi seriously in late June.

But the ECB had to be realistic. They backpedaled fairly aggressively, saying that **bond purchases could continue** past the Dec 2017 deadline and even increase if necessary. Even as of this morning, with the official text of the statement already confirming that flexibility, bond markets still don't have a clear sense of the likelihood of an extension past Dec 2017, or whether asset purchases would be tapered (as opposed to cold turkey). Draghi will likely field questions to that effect in the 8:30am press conference.

Whether or not it has even a fraction of the originally-expected market impact is another matter. Other factors have moved in to **overshadow** today's ECB meeting (North Korea, hurricane season, Fed backpedaling, and political theater). Draghi would have to say something fairly shocking in order to get the market's attention today. His press conference typically shifts to the important question and answer phase around 8:40 and can last another 30-60 minutes from there. In other words, we'll know for sure by 9:10-9:40am ET.

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

