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Bond Markets Take a Hit as Fed Continues Cutting Purchase Amounts

There was a sharp sell-off in the bond market on Friday afternoon--at least relative to the day's relatively calm trading patterns--as the Fed once again announced an **updated bond buying schedule** for the following week. It was a repeat of a similar performance seen at the end of last week when the Fed cut Treasury purchase limits from \$50 bln per day to \$30 bln. The Fed's mortgage purchases walked a similar path, falling to \$15.5bln / day this week from \$25bln / day for most of last week (and \$40bln the week before that).

Today's cut to Treasury purchases was notable because it was the first time the amount fell by **at least 50%**. Specifically, the Fed will now cap buying at **\$15 bln per day** in Treasuries versus this week's \$30bln daily total. MBS purchase limits were pared to a range of \$8.9-10.6 bln per day--a far cry from the \$50bln/day seen 3 weeks ago.

It's not that bond markets weren't expecting the Fed to continue pruning its buying schedule. Rather, the adjustment was a bit **bigger than anticipated**. As such, the market reaction was fairly quick, but not excessive in the bigger picture. 10yr yields moved from .61% to just over .65% on the news and 2.5 UMBS coupons dropped less than a quarter point.

Here are links for the buying schedules:

[MBS](#)

[Treasuries](#)

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MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.39	+0.19
MBS GNMA 6.0	100.53	+0.14
10 YR Treasury	4.3602	-0.0724
30 YR Treasury	4.5297	-0.0761

Pricing as of: 7/3 5:59PM EST



Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.08%	-0.05	0.00
15 Yr. Fixed	6.45%	-0.02	0.00
30 Yr. FHA	6.55%	-0.05	0.00
30 Yr. Jumbo	7.25%	-0.04	0.00
5/1 ARM	7.07%	-0.03	0.00
Freddie Mac			
30 Yr. Fixed	6.86%	-0.01	0.00
15 Yr. Fixed	6.16%	+0.03	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: 7/3

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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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