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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

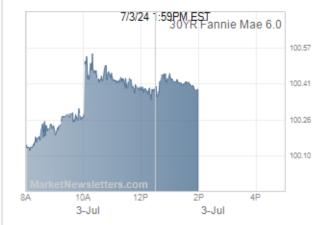
Treasuries

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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

| 7. Trende Priorigage 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 Banke | rs 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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