



The Arizona Loan Baron

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The Week Ahead: After Nice Winning Streak, Time for a Pull-Back?

There's no question that things have been going well for bond markets recently--at least for the parts of the bond markets that we care about. The longer end of the yield curve and production MBS (the stuff that affects mortgage rates) have both rallied even as Fed rate hike expectations have driven shorter term rates higher. This is the market's way of saying that the economic outlook is uncertain and higher short term rates won't help.

Whether or not this is a temporary phenomenon depends on a number of factors. Naturally, over time, the balance of economic data, inflation, and supply/demand related to various global QE efforts will dictate trends in bond markets. In the short term, the best source of motivation is open to debate.

Motivation is harder to find this week as the economic calendar is very light for the first 3 days. But markets may not need economic data to help make decisions about rate trends. There's a fairly simple technical development in play.

There are several technical terms used to describe the phenomenon of a certain market being overbought or oversold, but the premise is the same. The longer/more any security moves in one direction, the bigger the risk of a pull-back. This concept isn't at odds with super long term trends. It simply suggests that there will be periodic corrections within broader trends. In other words, markets don't move in a straight line.

With that in mind, this week is a good time to consider that bonds have just improved for 4 straight weeks. This is not something that happens very often--maybe once or twice a year. While there are a few examples of longer winning streaks, there are more examples of 3-4 week runs. Additionally, the longer runs usually occur after a brief spike in rates. In the current case, we didn't have the same sort of spike that preceded the last major run in October 2014. All of this increases the risk that we'll have to endure at least one week of pulling back this week, even if the longer term trend manages to stay strong.

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	4.3680	+0.0078
30 YR Treasury	4.5425	+0.0128

Pricing as of: 7/4 10:59PM 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	6.95%	+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: 7/3



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The Arizona Loan Baron is at your service!

I would appreciate the opportunity to share with you my extensive mortgage lending experience. My client focused approach has allowed me to build long lasting relationships and partnerships throughout Arizona. I know this market. I live here and work here. Please allow me the opportunity to be your mortgage lending partner.

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