



The Arizona Loan Baron

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The Week Ahead: Holiday-Punctuated Week to Reflect on New Realities

Until last Friday morning, there was still too much disagreement about what might happen at the Fed's December meeting. The debate was definitely lopsided in favor of those who already saw the Fed hiking rates regardless of the jobs data, but conveniently, the jobs data **left nothing to doubt**. After all, according to several Fed speakers, they were looking for NFP in the low 100ks to keep a hike on the table, and they ended up getting that for the next two months in just one report (271k / 2 = 135.5k).

With nothing left to doubt, we have the benefit of knowing that bond markets moved to price in a rate hike to their **highest possible degree**. Fortunately, this only took 10yr yields as high as 2.34+ on Friday, whereas a true worst case scenario could have been well over 2.40. While we can't rule out the possibility that momentum takes us there in the near term, it says a lot for the resilience of the long end of the yield curve for rates to have held their ground as well as they have. After all, we were nowhere close to even talking about a rate hike at the end of 2013 and 10yr yields were at 3%.

Too, there's the question of the selling spree potentially **needing to come up for air**. I don't much care for the terms "overbought" and "oversold," largely because they only really mean that something has moved so much in one direction that it must be due to take a break. I'd rather just say it the long way so people don't mistake the emotional naivete with an actual, valid technical term. OK, perhaps 'naivete' is the wrong word, but it's pretty close.

Yes, when any financial instrument moves in one direction for a certain number of days, it does indeed become increasingly likely that it will take a break and maybe even reverse course. But many times, this only looks like **2 days of "sideways"** before the same old trend continues. It could also be 2 days of promising counterattack that never results in lenders giving back much on rate sheets and where markets ultimately get right back to selling just as you've been lulled into a false sense of security.

So no... I don't dig "oversold" too much as far as technical terms go. All that having been said, bonds are closing in on oversold levels here.

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	4.3734	+0.0132
30 YR Treasury	4.5449	+0.0152

Pricing as of: 7/4 8:52PM 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



As for the structure of the week, it's an **odd one**. There's nothing odd about Veteran's Day, but it is less common for bond markets to take a day off in the middle of the week. There is no early close on Tuesday. Wednesday is **fully-closed for Veterans Day** and Thursday and Friday are fully open.

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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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