



The Arizona Loan Baron

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The Week Ahead: How Will Paris Tragedy Affect Bond Markets This Week?

There are several past examples of global tragedies affecting domestic interest rates. It's not uncommon to see far less grotesque events than those that transpired last Friday have at least somewhat of an impact. So it's a fair question to ask: how will Paris affect rates?

Here's the best answer: **who cares?** These are two very separate spheres of existence, and I'm personally not interested in confusing them. One is an unabashed tragedy. The other is a relatively random walk that doesn't care nearly as much about this sort of tragedy as some might assume.

Bond markets will do whatever it is they would have done before the Paris tragedy. Any flight-to-safety improvement seen in rates will either be short-lived, or we can conclude that gains were in our future **regardless** of external events. The only way such a thing could possibly factor into the Fed's decision making process is if it catalyzes the sort of global market volatility seen in late August. Without any intention of minimizing recent events, we're not setting up to see another "late August."

Most market watchers now see the Fed as having moved on to considering the timing and size of the **SECOND** rate hike (because the first hike coming up in December is that much of a sure thing). Bond markets moved quickly to price that in to current trading levels, and arguable accomplished that this past week.

The Fed will have something of a chance to clarify this week--albeit indirectly. The Minutes from the Fed meeting that produced October's **game-changing** Fed Announcement will be released on Wednesday afternoon. There might be some expectation out there for these to be enlightening, but frankly, I'm not sure what the Fed could have said that would be any more informative or enlightening than that which was already included in the announcement (dropped international concerns, and specifically referenced December the center of the current rate-hike debate).

Apart from the Fed, there is a smattering of moderately important data including Industrial production and Consumer Prices on Tuesday. When it comes to weighing the importance of data, we're going back to this notion of the Fed honing in on future rate hike plans, since the December hike is already looking like such a done deal. That **doesn't** mean this week's data can't have in impact--simply that it's not the same sort of impact we might see amid a more active Fed debate.

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	4.3714	+0.0112
30 YR Treasury	4.5430	+0.0133

Pricing as of: 7/4 8:51PM 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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