



### The Arizona Loan Baron

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## The Week Ahead: Fed Week vs Brexit and Big Picture

The latest chapter for global bond markets began with the Fed's attempts in mid-May to 'convince' investors that they were serious about hiking rates in June. The Fed's April meeting minutes (released May 18th) marked the climax, but even they provided the **first hint** of how this chapter would unfold:

"Some participants noted that global financial markets could be sensitive to the upcoming British referendum on membership in the European Union or to unanticipated developments associated with China's management of its exchange rate." -Fed Minutes

Thus, the 'Brexit' chapter began in earnest. The notion that the **Fed might want to wait** until after the British referendum to hike rates wasn't entirely new, but this was the first indication that the Fed was taking it seriously. This helped short term yields and Fed Funds Futures (bets on how likely the Fed was to hike) find a ceiling heading into the end of the month.

What would likely have been a **steady decline in yield** heading into the month of June was made more precipitous by the big miss in the jobs report. With that, 10yr yields were back to the same levels that preceded the aforementioned mid-May spike.

### 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
<b>Mortgage News Daily</b>			
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
<b>Freddie Mac</b>			
30 Yr. Fixed	6.95%	+0.09	0.00
15 Yr. Fixed	6.25%	+0.09	0.00
<b>Mortgage Bankers Assoc.</b>			
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



In the chart above, notice that Fed Funds Futures **haven't** deteriorated any more since the jobs report (the big vertical line in early June) yet bond yields have **continued lower**. This is due to the fact that 'Brexit' isn't only important because of its implications on Fed rate hikes, nor are Fed rate hikes the only things that are important to markets.

'Brexit' speaks to the overused little phrase: "global growth concerns." Europe is an epicenter of such concerns even without Brexit. But with it, things are even more tenuous--a fact reflected by several days of **successive all-time lows** in German Bunds (for all intents and purposes, Europe's equivalent of the US 10yr yield).

The recent strength in Bunds is also at risk of becoming a weakness. It all depends on traders' comfort level with taking Bunds into negative yields. We've seen the first bit of hesitation in the overnight session with a bounce at 0.012 vs Friday's 0.011, but with the week having only just begun, it's **too soon to tell**. Besides, there's no guarantee that US 10yr yields would feel compelled to follow a bounce in Bund yields unless it was a big one, and that risk is muted by the likely "wait and see" approach ahead of Wednesday's FOMC Announcement and next Thursday's Brexit vote.



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## The Arizona Loan Baron

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.

**The Arizona Loan Baron**

