



The Arizona Loan Baron

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The Week Ahead: The Pre-Brexit Pull-Back is Here

- Bond markets begin week significantly weaker as global markets back down on 'Brexit' trades
- 10yr yields created a big gap from last week's levels
- This now becomes important resistance (aka "floor")
- Brexit vote on Thursday

After a fairly quick ramp in perceived importance (as far as major market events are concerned), we finally arrive at the U.K. referendum on remaining in the European Union this week (aka "Brexit"). Although the level of correlation has varied at times over the past few weeks, in general, this has been the **dominant market mover** in June, and a significant source of inspiration even before that.

Last week, I began warning that markets looked like they had **already reached the limit** of how far they would move to price in Brexit without having actual confirmation that it would happen. I was surprised to see the extent to which those limits were pushed before the bounce finally began to take shape.

It seems that the tragic murder of Jo Cox (a politician and vocal opponent of Brexit) has gone some way in swaying the polls. Over the weekend, the "remain" camp picked up several points in most polls making the outlook **even cloudier** ("exit" had been in ahead by several points in all polls, but now several have "remain" taking a slight lead).

Markets began trading this potential shift at the **exact moment** of the Jo Cox attack. Not only did news of the attack cause the political campaigns to be suspended for the rest of the week, but markets figured undecided voters would now be more likely to come down in the "remain" camp. The rapid shift is easy to see in British currency markets, with Sterling leading the rest of global risk markets back away from their "Brexit" tack.

MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.41	+0.01
MBS GNMA 6.0	100.78	+0.01
10 YR Treasury	4.4404	+0.0181
30 YR Treasury	4.5778	+0.0168

Pricing as of: 5/20 12:59PM EST



Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.10%	+0.01	0.00
15 Yr. Fixed	6.57%	+0.01	0.00
30 Yr. FHA	6.64%	+0.02	0.00
30 Yr. Jumbo	7.35%	0.00	0.00
5/1 ARM	7.30%	0.00	0.00
Freddie Mac			
30 Yr. Fixed	7.02%	-0.42	0.00
15 Yr. Fixed	6.28%	-0.48	0.00
Mortgage Bankers Assoc.			
30 Yr. Fixed	7.08%	-0.10	0.63
15 Yr. Fixed	6.61%	+0.01	0.65
30 Yr. FHA	6.89%	-0.03	0.94
30 Yr. Jumbo	7.22%	-0.09	0.58
5/1 ARM	6.56%	-0.04	0.66

Rates as of: 5/20



This has **wreaked a modicum of havoc** on the technical outlook for bond markets. When we talk about the "technical outlook," it's just a fancy way of saying "the momentum around key trading levels based on mathematical formulas that assess significance and predict behavior." In other words, the shift in Brexit tone stitched together a very tough, very bouncy swatch of trampoline-like flooring and stretched it tight at last week's low yields. Shorter term momentum indicators are now well into negative territory and longer term momentum indicators will shift today, unless a miracle rally takes place.



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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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