



The Arizona Loan Baron

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What Can We Do About The Central Bank Bubble?

In the middle of a prolonged period of negative real interest rates and loose monetary policy aimed at managing inflation and helping economies, **fears are rising** that **asset bubbles** are being created.

"We've lost our way so we look to central banks, who give us massively loose monetary policy and that's the little bubble we're living in," David Bloom, head of currency strategy at HSBC, told CNBC.

New records are constantly being set in the markets, with Thursday's close of the S&P, up 0.47 percent at 2,185.79, yet another new top. This is happening despite low productivity and growth in the U.S. economy.

Analysts at UBS see "scope for the markets to run **further still** over the near-term" because of central banks' policies in the developed world.

And it's not just their own economies which are being helped by these actions. **Emerging markets are benefitting too**, as investors search for better returns on their money than in the low-growth developed economies and safe havens like U.K. bonds (gilts) and U.S. bonds (Treasuries).

"All markets are running – that's what happens when you have ultra-loose monetary policy and the central banks are handing over money," Bloom said. "QE distorts markets completely."

Asset classes which are usually closely correlated have **lost their usual connections**. Examples include cash and equities, both at record highs despite one usually being strong while the other is weak, and oil and gold, which usually move together as they are both pegged to the U.S. dollar, but have diverged as investors pile in to gold.

Next week, minutes from both the July European Central Bank (ECB) meeting and the U.S. Federal Reserve (Fed) should give **greater insight** into the thinking of two of the Western world's most important central banks' thinking.

Most investors **don't expect an interest rate hike by the Fed until December**, despite the world's most influential central bank talking for years about normalizing monetary policy. And the ECB is also believed to be unlikely to make a move, as new economic figures confirm the picture of tepid growth in the euro zone.

National 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

Recent Housing Data

		Value	Change
Mortgage Apps	Jun 12	208.5	+15.58%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%

"They've completely failed us and the market doesn't believe them," Bloom said.

			Value	Change
Builder Confidence	Mar	51		+6.25%

"A quarter point (interest rate rise) every December is not going to hurt anybody."

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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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