

The Arizona Loan Baron

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The Week Ahead: Bond Markets Won't Miss October

It's no mystery that the prevailing trend in bond markets has been negative for several months. At first, this was no big deal, as Treasury yields just hit all-time lows in early July. Coming off all-time lows, it's easy to forgive a bit of a corrective bounce. After all, rates can't go perpetually lower without blowing off some steam from time to time.

With that in mind, things weren't too alarming heading into the end of August. True, the low yields on any given day were trending higher, but the high yields remained under a ceiling of 1.60%, in general.

That began to change in early September as the first hints of European Central Bank tapering begin trickling in. Yields tried to break back below 1.60% at the end of the month, but were only able to hold it for a few days. October brought **renewed selling momentum** from the outset. 1.73--which had been a ceiling in September--quickly became a floor. In only a few short weeks, yields were up to intraday highs of 1.879%, and closing levels right around the long-term inflection point at 1.84%.

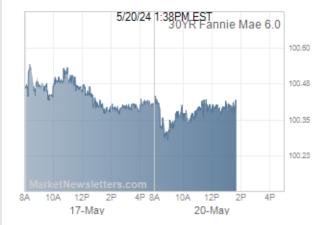
We enter the current week not only in line with that inflection point, but also pushed up against the top of the prevailing trend channel.



MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.39	-0.01
MBS GNMA 6.0	100.76	-0.02
10 YR Treasury	4.4350	+0.0127
30 YR Treasury	4.5711	+0.0101

Pricing as of: 5/20 1:37PM EST



Average Mortgage Rates

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	Rate	Change	Points
Mortgage News I	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 Banke	rs 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			

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With the Bank of Japan tomorrow, the Fed Wednesday, and NFP Friday, bonds have several opportunities to catch a temporary break before volatility picks back up in early December (important ECB and Fed announcements). Actually, rather than "several opportunities, it would be more accurate to say that this week represents the **last chance** to remain committed to current uptrend. There are plenty of gains to be had if bonds can hold this ceiling, but losses could easily accelerate if they don't.

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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.

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