



The Arizona Loan Baron

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Worst Day For Mortgage Rates in Over 3 Years

Mortgage Rates skyrocketed today, relative to their average range of movement. It was the single biggest move higher since the days of the taper tantrum in mid-2013. Virtually all lenders are quoting conventional 30yr fixed rates that are at least an eighth of a point higher versus yesterday. Over the past decade, you can count single-day eighth-point moves without using any toes. Some lenders were a quarter point higher, which has only happened a few times, ever.

The source of the drama is the market's **paradoxical reaction to Trump's victory**. Before the election, news that benefited Trump generally benefited rates. This was logical because Trump connoted uncertainty and rates tend to benefit when investors seek shelter from uncertainty by buying bonds. Indeed, bonds' first move was tremendously positive when Trump pulled ahead overnight. Everything was going according to plan, and those of us burning the midnight oil expected decent improvements in rates this morning.

But the **positive narrative unraveled** before sunrise. According to the negative narrative, Trump's claimed policy goals stood a greater chance to hurt bond markets and push rates higher in the long-run. That negative narrative wasn't a new concept, but very few market participants expected it to steal the show so quickly. Once traders find themselves on their heels in the face of unexpected momentum, the only course of action is to turn around and run with that momentum indefinitely.

Bottom line, this is what financial media often refers to as a capitulation trade. "OK, so we're going to go with higher rates on the Trump Victory? OK, I'll sell some bonds too then!" When tension and market volumes are running high, and when every trader wants to sell bonds, things tend to move quickly.

The natural question: **was that it? Is it over?**

You'll see some difference of opinions below, but as I've said and will continue to say, assume the broader uptrend in rates will continue until we have definitive proof that it's over. Some past precedent suggests we could get a bounce here, but the other past precedent is fairly scary. In this case, the scary eventualities are scarier than the hopeful eventualities are hopeful--at least for now. There's a reason the "ongoing lock/float consideration" haven't changed in weeks.

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

MBS and 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

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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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