



The Arizona Loan Baron

Timothy Baron, VP Senior Loan Officer Loan Baron, V.I.P. Mortgage, Inc.

Timothy Baron NMLS #184671 V.I.P. Mortgage, Inc. does 6390 E Tanque Verde Rd. Suite #200 Tucson, AZ 85715

Office: 520-275-5956
 Mobile: 520-275-5956
timothybaron@vipmtginc.com
[View My Website](#)

The Week Ahead: Light Data, But NFP Friday--Will it Matter?

Last week saw economic data take a definitive **back seat to Fed speeches**-- particularly Tuesday's comments from NY Fed President Dudley. It wasn't that Dudley said anything that other Fed speakers hadn't. Rather it was a combination of factors. First and foremost, Dudley has always been pragmatic, level-headed, and balanced in his assessment of upcoming policy potential. His comments are infrequent and rarely convey a strong bias.

This time, not only was there bias, but it was worded rather decisively--as if to say that there is **already strong consensus** within the Fed's inner sanctum. He specifically referenced the "case for tightening" being "a lot more compelling" than it had been. 2 weeks earlier, he had still been expressing a bit of lingering uncertainty.

The net effect of Dudley's comments was a **rapid repricing** of Fed rate hike probability. As we've discussed at length in the past week, markets are effectively pricing-in the highest possible probability. Fed Funds futures are at an astounding 84% chance (and they never go to 100%).

1-month overnight indexed swaps have risen 16bps over the past 3 weeks. They typically rise 20bps in the 4 weeks leading up to any Fed rate hike and thus are perfectly on pace to be at 20bps when next week's meeting hits. This is the "smart money" and it is very much like a crystal ball that makes Fed Funds Futures irrelevant.

Bottom line, the billions of dollars a day of interbank money that's swapped on a short term basis is saying a rate hike is **100% likely**.

With all that in mind, is there **anything left for markets to trade?** Does economic data make any difference at all? What about this Friday's NFP?

Simply put, economic data (and anything else for that matter) would have to be utterly shocking to have a material impact on trading levels heading into next week's Fed meeting. "Material" in this case would refer to a convincing break outside the 3-month range. NFP would have to be **catastrophically weak** to cast any doubt on a hike. Even then, it would be a tall order. Markets are far more interested in the Fed's updated economic projections (which is the thing that really did the damage this past December, as opposed to the rate hike itself).

Subscribe to my newsletter online at:

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
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

<http://mortgagenewsletter.net/timothybaron>

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

