



## The Arizona Loan Baron

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## The Day Ahead: Markets Waiting to Hear About The Other 2-3 Hikes This Year

In 2011-2012, the notion that the Fed would "never" be able to extricate itself from an endless cycle of quantitative easing was not entirely uncommon. Even after tapering began in 2013, suspicions remained as to the inevitability of "QE4." The Fed next defied skeptics by finally raising rates for the first time in nearly a decade in December 2015.

Undeterred, and perhaps a bit indignant at the Fed's gall, econo-bears moved on to characterizing the Dec 2015 hike as "one and done." In other words, "sure, they may have pulled off that ONE hike, but what the hell were they thinking?! It wasn't justified and they certainly won't be able to hike again before the global economy implodes."

After the election, the Fed's tune really started to change. They maintained that they weren't dialing up their hiking efforts due to fiscal policy expectations, but to anyone who looks closely at Fed speeches before and after the election, it's pretty clear that uptick in growth and inflation expectations had an **immediate** and noticeable effect on the Fed's rate hike urgency.

That renewed sense of urgency **surprised markets** at the December Fed meeting. The hike itself was widely expected but the "dots" (the Fed's economic projections, which include a rate hike outlook for each member) offered confirmation that the Fed was indeed more serious about hiking more quickly than markets anticipated.

The Fed's naysayers were really getting frustrated, but they could still conclude "ok ok ok... so maybe they DID hike a second time. But don't you see what's happening here? They've ONLY hiked in the month of December. **Pretty pathetic, right?!** I mean a once-a-year pace doesn't exactly line up with their outlook for inflation and growth."

Over the past few months, however, naysayers have been packing their bags. The writing on the wall has become clear. Another milestone in their "unthinkable" scenario is about to drop when, this Wednesday, the Fed will hike rates A) outside the month of December, B) within one quarter of the previous rate hike, C) for the third time since bottoming out, and D) to a range that range that includes the number "1.00%" at the upper end.

## 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

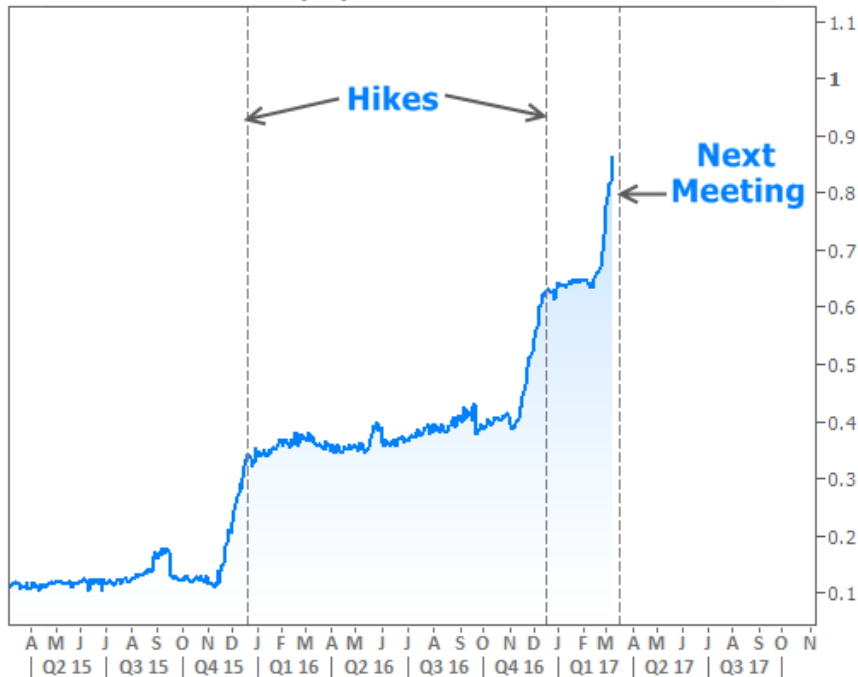


## Average Mortgage Rates

	Rate	Change	Points
<b>Mortgage News Daily</b>			
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
<b>Freddie Mac</b>			
30 Yr. Fixed	6.95%	+0.09	0.00
15 Yr. Fixed	6.25%	+0.09	0.00
<b>Mortgage Bankers Assoc.</b>			
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

Another Fed Rate Hike Metric (OIS)



The fact that the naysayers have been trumped by the Fed is no longer debatable. They've been **surprisingly capable** of (finally) pulling off their goals, even if those goals primarily involved getting rates high enough to have something to cut when the next recession starts taking shape.

The **only debatable part** of Wednesday's Fed hike is how quickly the rate hike outlook will accelerate. To be sure, traders are already expecting SOME acceleration in "the dots." Those expectations mean there is some small chance the the dots aren't quite as fast, thus leaving room for a bit of a corrective rally in bond markets. But if that acceleration is greater than expected, a December 2015 repeat is an imminent possibility. Incidentally, we're approaching this Fed meeting at almost the exact same levels that followed the December hike (i.e. ready to break higher if their expectations surprise to the upside).



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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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