



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 on Data But Fed Speakers May Shape The Outlook

This week will be fairly light in terms of **scheduled economic data**. The first relatively significant report won't be out until Wednesday (Existing Home Sales). The remaining days of the week only have one major report each (New Home Sales on Thursday and Durable Goods on Friday). Moreover, with the exception of Durable Goods, none of these reports could be considered upper tier in terms of market movement potential.

Potentially **more interesting** to markets will be a raft of Fed speeches. In late February, The Fed embarked on an overt campaign to quickly nudge market expectations for a March rate hike. Vice Chair Fischer even admitted as much at the end of the most active week of Fed speakers.

When asked what she thought about the disconnect between market expectations and the Fed policy path at last week's press conference, Yellen further confirmed that markets were perhaps lulled into a false sense of complacency, assuming the Fed didn't have the minerals to hike **more than once a year**. With that, Yellen essentially confirmed what markets had already been adjusting for: a Fed that will hike more than once a year, and generally "whenever they can get away with it" (my words, not hers).

This interesting exchange (between Yellen and WSJ's Nick Timiraos) didn't offer any additional clarity on the Fed's economic projections. The projections themselves didn't clearly point to a Fed that wanted to hike much faster than the prevailing odds would suggest (about 3 times in 2017).

Projections aside, the Fed could be **"leaning"** toward continuing to ramp up the rate hike outlook or it could be starting to think about easing off the the hawkish throttle.

It would be **hard to make a case** for either of those shifts. More hawkishness doesn't really make sense for a variety of reasons--not the least of which being that consumer inflation expectations just came in at record lows last week. Less hawkishness doesn't really make immediate sense with stocks continuing to operate near all-time highs.

With that in mind, the **most logical outcome/goal** of this week's Fed speeches would be to confirm that the proverbial bowl of porridge is just right.

Granted, most of us in the mortgage world wouldn't mind one bit if the Fed conveyed some sense of hesitation about how quickly the rate hike outlook has ramped up, but we also need to consider that they're trying to get rates high enough so that they have something to cut when the next recessionary

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

clouds begin swirling. To whatever extent Fed hikes act like cold water on economic activity, they will ultimately be better for rates in the long run.

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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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