



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: Bonds Set to Battle a Familiar Enemy

There are two white lines in today's chart. Each represents the pace of the two most recent rallies in rates (with the latter being the current rally) by connecting the trend of "lower highs." The yellow lines denote "the gap" from 2.15-2.17, which has been an **important inflection point** since the US presidential election (i.e. after breaking above in Nov 2016, we have yet to break below, despite 2 attempts). This week is all about that 2nd attempt.



The biggest problem with breaking lower this week is that we get an on-cycle Fed Announcement next week (one of the 4 Fed announcements per year that includes economic projections and a press-conference--thought to be the Fed's preference when it comes to making **bigger** changes or hiking rates).

Bonds may not be keen to breaking convincingly below such an important pivot point until getting clarity on the Fed policy path. **Even if we do see a break**, the looming Fed Announcement will probably serve to stifle the momentum that would otherwise be suggested (which is quite a lot, from a **technical** perspective).

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

Economic data is limited, with key releases being today's ISM Non-Manufacturing index at 10am and--well--not much else. Apart from economic data, there are **three key events on Thursday**. If you turn your attention to the chart above one more time and recall the mid-April bounce, one of the events in play at the time was British Prime Minister May's [call for an early election](#). That happens on Thursday, but it's probably the least potent of the three market movers (because there's strong consensus on the results).

The **second event** this Thursday is the European Central Bank Announcement. There hasn't been much buzz about any major changes being discussed, although markets will continue to be on guard for any sign of tapering (they're still expanding the balance sheet over there!).

Finally, there's the **much-anticipated Comey testimony** regarding the events surrounding his firing (Trump, Flynn, Russia, etc.). This could be a watershed moment in global politics, or a frustratingly anticlimactic collection of cryptic comments that markets could take either way.

Considering the possibility that bonds have been trading as well as they have in order to position for such a potential Comey bombshell, it's a good idea to stay on guard for the absence of such bombshells. That absence would almost certainly coincide with a **definitive** break above the recent rally trend and/or a definitive bounce up from the 2.15-2.17 gap.

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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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