



The Arizona Loan Baron

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The Week Ahead: Ultra Cautious Bond Rally Enters 4th Week. Can it Last?

The good news is that bond markets improved--albeit microscopically--during each of the past 3 weeks. That's **significant** because before that 3-week period, there hadn't even been a single week of improvement in 2018. The last time we saw more than 2 consecutive weeks of improvement was in September 2017. Although it may not have taken rates very much lower, late February definitely (finally) delivered the much-anticipated "1st break" of the relentless uptrend in rates.

The bad news is that some of last week's resilience could have been driven by temporary factors. One factor that we already covered had to do with short-covering (pun not originally intended, but in hindsight, it works). This means that investors were betting on rates rising earlier in the week, but after rates fell to levels that threatened those bets, investors "covered" (by buying bonds). All things being equal, short-covering is **less of a solid foundation** upon which to build a sustainable rally.

Other temporary factors include a **rare 2-week break** from the Treasury auction cycle (it begins again next week) as well as the Tariff announcement and European political uncertainty.

As markets work through these temporary factors, we'll have a **clearer picture** of how the next confirmed trend might shape up for bonds. Technical indicators suggest there's room to improve if bonds can get past floors at 2.83% and 2.795% in 10yr yields.

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



"So Matt, you're saying rates can go lower if they move lower? **Groundbreaking analysis!**" Yes, yes... but the point is that if we can break those technical levels, it would speak to a certain sustainability of the recent resilience. If, on the other hand, we see another big bounce at 2.795% as we did last week, it would increasingly look like we've gone about as far as we can go for now.

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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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