

THE FEDERAL SAVINGS BANK



Co. NMLS# 411500



Ted Rood

Mortgage Banker, Homesite Mortgage LLC

NMLS #543290

2299 Technology Drive, Suite 2A5 O Fallon, Missouri

Office: 3147400004

Mobile: 314-740-0004

ted_rood@yahoo.com

A Message from Ted Rood:

"Bonds rallying, low rates to follow!"

UPDATE: ECB Minutes Helping Bonds Recover

- European Central Bank released minutes from early March meeting
- Minutes were more bond-friendly than Draghi's press conference might have suggested
- German Bunds back under 0.10, Treasuries, Stocks, Oil, all followed overnight
- Most of yesterday's losses erased within the first hour
- 10yr yields right at the bottom of the current range

If yesterday's response to the Minutes from the most recent Fed meeting was underwhelming, perhaps it was because markets were waiting to see the minutes from the most recent ECB meeting today. Taken together, the message is a **bullish one for bond markets**. Members of both central banks are fairly unified in their resolve to stoke inflation for their respective economies.

That inflationary resolve can mean **one of two things** (or both at the same time):

1. The economy is so persistently stagnant that Fed/ECB are forced to throw money at it. This only hurts bonds if the money-throwing actually works
2. The money-throwing involves lower rates and/or asset purchases, which obviously help bonds

Earlier on in the recent history of QE and easy policy, there was a counterculture trade that priced-in the anticipated effects of the easing. In other words, some traders thought they had the foresight to conclude QE and low rates would get the economy back on track and create inflation. That created **paradoxical moves** in bond markets where yields began to rise once QE campaigns got underway.

In hindsight, what looked like a prescient trade at the time now seems **overly optimistic**. The onus is increasingly on inflation to put up or shut up before traders will price-in the anticipated effects of central bank easing. The conclusion is that the more skeptical markets become about easy monetary

MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.22	+0.16
MBS GNMA 6.0	101.15	+0.24
10 YR Treasury	4.4610	+0.0049
30 YR Treasury	4.6100	+0.0015

Pricing as of: 5/10 2:00AM EST

Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			

30 Yr. Fixed	7.15%	-0.05	0.00
15 Yr. Fixed	6.63%	-0.03	0.00
30 Yr. FHA	6.61%	-0.03	0.00
30 Yr. Jumbo	7.39%	-0.02	0.00
5/1 ARM	7.34%	+0.01	0.00

Freddie Mac

30 Yr. Fixed	7.09%	-0.35	0.00
15 Yr. Fixed	6.38%	-0.38	0.00

Mortgage Bankers Assoc.

30 Yr. Fixed	7.24%	+0.11	0.66
15 Yr. Fixed	6.75%	+0.11	0.64
30 Yr. FHA	7.01%	+0.11	0.94
30 Yr. Jumbo	7.45%	+0.05	0.56
5/1 ARM	6.64%	+0.12	0.87

Rates as of: 5/9

policy actually achieving inflation goals, the greater the benefit to rates.

On a **cautionary note**, 10yr yields and German Bunds are both hitting their maximum near-term resistance levels (what is 'max resistance?'). For 10's, that's roughly 1.72. We're currently trading at 1.724, and had dipped as low as 1.717 earlier this morning. Getting past max resistance would be a big feather in the cap of the medium-term rally, but as with any technical target, we'd want to see yields either break well below, or hold a moderate break for more than a few hours (into tomorrow, ideally).



Subscribe to my newsletter online at: <http://mortgageratesupdate.com/tedrood>

Responsive service, experienced expertise

I've dedicated my 22 year mortgage career to client education, superior service, and honest answers. The lending landscape has changed dramatically the past few years, and continues to do so. My job is to ensure client partners' loans close quickly, without surprises, and I take that responsibility very seriously. Referrals are a responsibility I appreciate; they're a measure of trust, and that trust must be earned every day, on every referral.

Ted Rood 