

THE FEDERAL SAVINGS BANK



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The Day Ahead: Risks and Opportunities With Past Precedent

We've talked a bit (in this commentary and in the live chat on [MBS Live](#)) about the similarities between the October sell-off and one seen in April/May 2018. Both took yields to what were, at the time, the highest yields in years. Both examples have an initial spike followed by several weeks of narrower trading with a trend-line of "higher lows" being the most noticeable feature during those weeks.

As you can see in the following chart, that's the phase that we're currently in (those "weeks of narrower trading with a trend-line of higher lows"). If October ends up like April/May, there's **another spike** left to come.



The lines along the bottom of the chart are fast and slow stochastics--momentum indicators. The move in May 2018--where both are heading lower from their ceilings only to bounce and head back up--is less common. I include them only as a reminder that the **technicals** don't always work out like they're supposed to.

MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	99.51	+0.15
MBS GNMA 6.0	100.56	+0.20
10 YR Treasury	4.6172	-0.0473
30 YR Treasury	4.7419	-0.0320

Pricing as of: 4/29 12:23PM EST



Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.43%	-0.02	0.00
15 Yr. Fixed	6.85%	-0.01	0.00
30 Yr. FHA	6.92%	-0.03	0.00
30 Yr. Jumbo	7.63%	-0.01	0.00
5/1 ARM	7.50%	0.00	0.00

Freddie Mac

30 Yr. Fixed	7.17%	-0.27	0.00
15 Yr. Fixed	6.44%	-0.32	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: 4/29

It's also good to remember that the backdrop was different in the Spring in terms of events and risks, with one key wild card of an exception: Italy. The recovery in May 2018 was due to the **Italian election drama**. Just this week, we've seen **another** boost from Italian political drama. This time around, there's less potential for it to have the same sort of punch as an election surprise, but it's on the radar nonetheless.

With specific respect to today, there's not much on the agenda to captivate bond traders' attention. **Existing Home Sales** data is interesting, but not a big-ticket market mover. Still, it might matter a bit more than normal due to Housing being a growing concern. Elsewhere, investors are interested in the small handful of earnings releases that came out this morning, but if they haven't had a huge effect on equities futures so far, it's less likely that they'll be huge considerations when the NYSE fires up at 9:30am.

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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.

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