

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:

"Looks like bonds want to rally towards lower rates! Great news for borrowers!"

UPDATE: What's up with this big old bond rally?

I was going to title this update: "Big Picture Concerns and Small Picture Benefits = Snowball Buying," but that seemed fairly boring and opaque. That's the thesis though. We have the big picture considerations surrounding the potentially ill-timed Fed rate hike in the face of a global economic cycle that might be 'rolling over' for lack of a better term.

On a smaller scale, we have significant distortions brought about by an active corporate bond market as well as active tradeflows in general. Both of these buzzwords (corporate debt issuance and 'tradeflows') have entries in our knowlege base if you want to read more about them:

Corporate Debt Issuance

Tradeflows

Long story short, corporate debt issuance has been big so far in 2016, and we're now seeing that there have been a lot of people trading accordingly (i.e. selling bonds because they expect corporate issuance to hurt bonds). Now that the corporate bonds are pricing, some of that weakness is being unwound. Those trades are snowballing with tradeflow momentum.

Further compounding the snowball is the big, simple stuff like falling equities and oil prices. Here's a chart:

MBS & Treasury Market Data

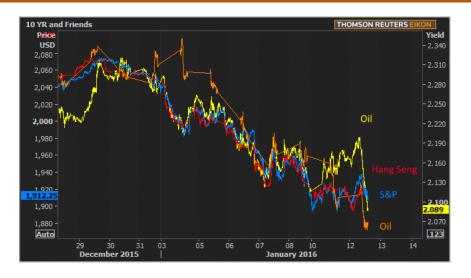
	Price / Yield	Change
MBS UMBS 5.0	99.37	+0.02
MBS GNMA 5.0	99.93	+0.02
10 YR Treasury	3.9068	+0.0029
30 YR Treasury	4.1960	+0.0028
Drising as of 0/17,24DM EST		

Average Mortgage Rates

	Rate	Change	Points
Mortgage News I	Daily		
30 Yr. Fixed	6.43%	+0.02	0.00
15 Yr. Fixed	5.95%	0.00	0.00
30 Yr. FHA	5.82%	+0.02	0.00
30 Yr. Jumbo	6.62%	0.00	0.00
5/1 ARM	6.28%	-0.01	0.00
Freddie Mac			
30 Yr. Fixed	6.35%	-0.51	0.00
15 Yr. Fixed	5.51%	-0.65	0.00
Mortgage Banke	rs Assoc.		
30 Yr. Fixed	6.44%	-0.06	0.54
15 Yr. Fixed	5.88%	-0.16	0.68
30 Yr. FHA	6.36%	-0.06	0.85
30 Yr. Jumbo	6.75%	+0.07	0.39
5/1 ARM	5.98%	-0.27	0.65
Rates as of: 8/30			

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