

Michael Baker

Senior Mortgage Loan Officer, Fountain Mortgage

Individual NMLS: 259076 Company NMLS: 2579
8340 Mission Rd, Ste 240 Prairie Village, KS 66206

Office: 913-735-8455

Mobile: 913-735-5363

mbaker@fountainmortgage.com

[View My Website](#)

Rates Actually Fell to Recent Lows This Week

The rapid rise in rates has been a big problem for the housing and mortgage markets this year. Just last week, some reports suggested rates were near 8 year highs. The same sources reported that rates were 'unchanged' this week. One might conclude rates **remained** at 8 year highs this week, but by Friday, they were the lowest in more than a month!

How can that be?

It all has to do with the sources providing the underlying rate data and the media outlets who report on it. Freddie Mac's weekly mortgage rate survey is the only source of mortgage rate information used by many of the biggest media outlets. That's **unfortunate** for anyone relying on those stories for timely info on day-to-day rate changes. Freddie's survey is accurate in the long-run, but can lag reality by several days.

In fact, the weekly survey is really only a "Mon/Tue and sometimes Wednesday" survey. Thursdays and Fridays **aren't counted**. That means big changes in rates in the 2nd half of the week will NOT be reflected in the news stories citing Freddie's survey--at least in cases where we actually see big moves in the 2nd half of the week.

As you may have guessed, we wouldn't be having this conversation had we not seen **big moves** in the 2nd half of the week! To be fair, "big" is a relative, but we'll take the victories we can get these days. The bottom line is that most lenders were quoting noticeably lower rates by Friday afternoon. The average hadn't been any lower since early October.

National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			

30 Yr. Fixed	7.39%	+0.01	0.00
15 Yr. Fixed	6.83%	+0.01	0.00
30 Yr. FHA	6.87%	+0.01	0.00
30 Yr. Jumbo	7.58%	0.00	0.00
5/1 ARM	7.40%	0.00	0.00

Freddie Mac

30 Yr. Fixed	7.10%	-0.34	0.00
15 Yr. Fixed	6.39%	-0.37	0.00

Rates as of: 4/24

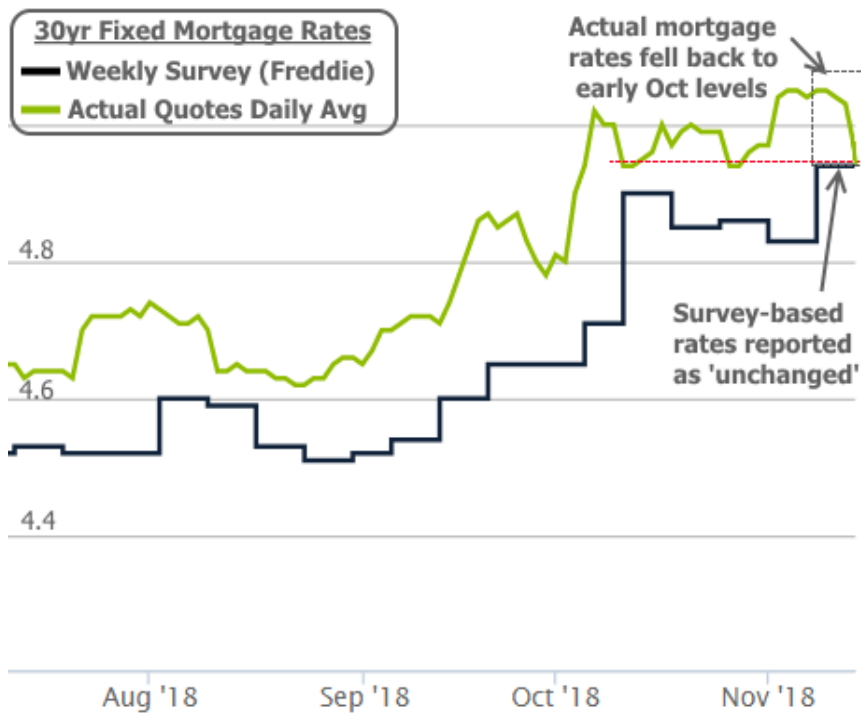
Market Data

	Price / Yield	Change
MBS UMBS 6.0	99.44	-0.18
MBS GNMA 6.0	100.25	-0.15
10 YR Treasury	4.6119	+0.0105
30 YR Treasury	4.7361	+0.0068

Pricing as of: 4/24 5:02PM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Apr 24	196.7	-2.67%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%
Builder Confidence	Mar	51	+6.25%



What accounts for this nice drop in rates? Again, the drop is relative. We're still not much lower from those long-term highs. Additionally, this week's move looks similar to the last week in October. In other words, it wasn't especially big or unique. Even so, gains are gains, and we can certainly point to a few sources of inspiration.

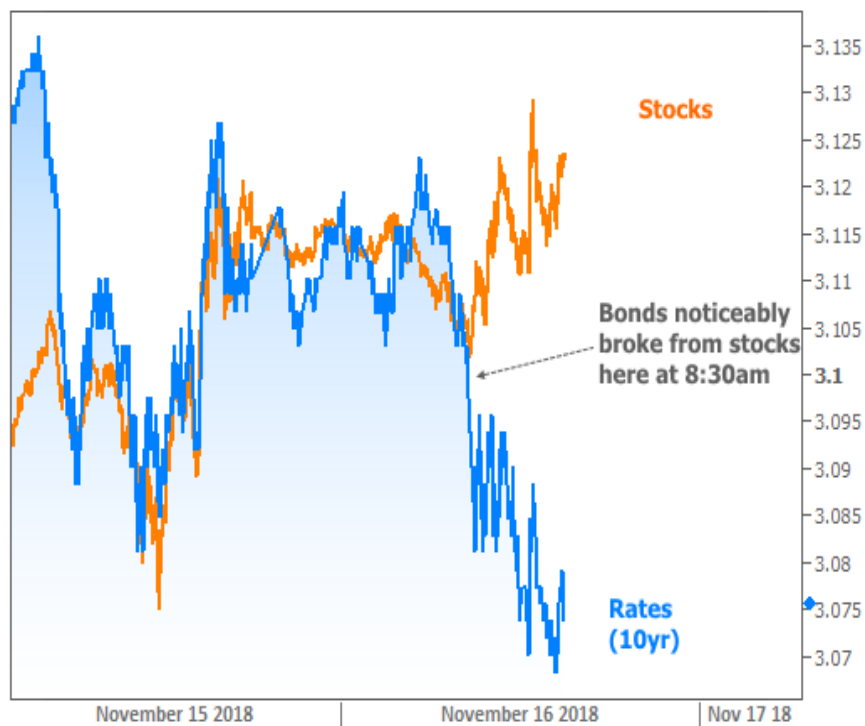
Much like that last week in October, **stock market losses** translated to bond market gains (bond gains = lower rates). Bonds have been more willing than normal to follow stocks in the past month. When stocks experience the kind of panic selling seen in early October, bonds tend to soak up some of the money that's looking for a safe haven. More demand for bonds means lower rates, all other things being equal.

Looking just slightly beyond the stock market, there is at least one more supporting actor. You may remember "**Brexit**" from 2016--the term for Great Britain's eventual divorce from the European Union. This is a messy divorce with plenty of negotiation and paperwork. The short version of a very long and boring story is that British lawmakers are having a hard time agreeing on how to proceed, and that could have a fairly big impact on what the final agreement looks like.

The bottom line for now is that there was a palpable spike in uncertainty surrounding Brexit. Uncertainty that impacts the global economy tends to benefit bonds and hurt stocks. The following chart **brings everything together** with stocks, bonds, and British currency (a good barometer for Brexit-related anxiety where "lower" = "worse").



You may have noticed in the chart above that bonds managed to **improve** on Friday even though stocks were moving higher. We can zoom in on that divergence:



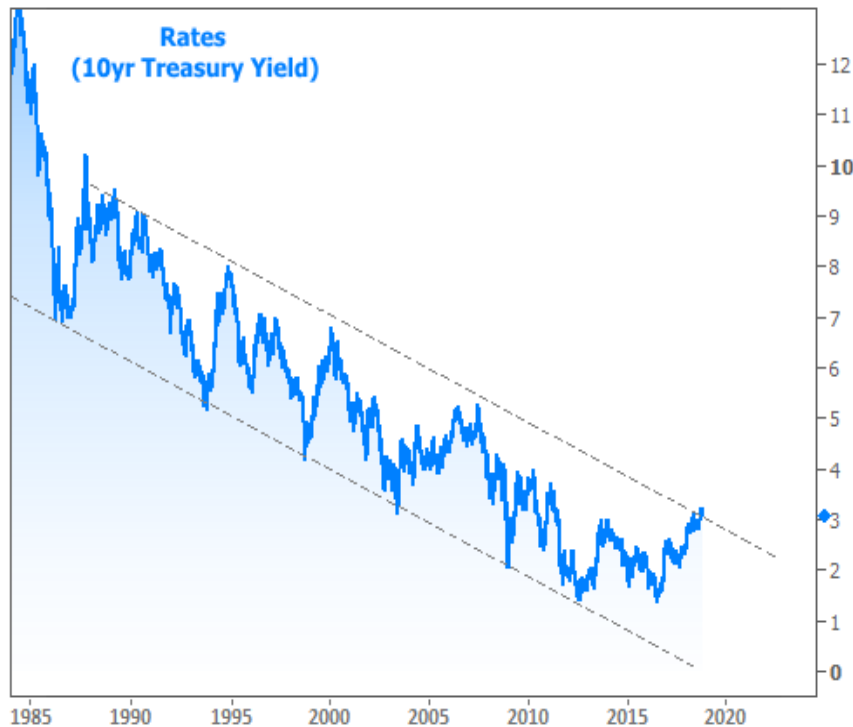
This had to do with comments from newly-appointed Fed Vice Chair Richard Clarida, who said that short term rates are currently **very close to neutral**. That's a fancy way of saying the Fed might be done hiking rates fairly soon--something that flies in the face of comments made by another official on Thursday who said the neutral rate could be more than a full percentage point higher!

Clarida outranks the other Fed official, so markets are more willing to react. When the Fed is being dovish (a term that refers to a softer stance on inflation and thus to easier monetary policies), **both** stocks and bonds tend to like it. That makes good sense, then, to see both stocks and bond improve after 8:30am on Friday.

In the grand scheme of things, these moves **haven't** done anything to bring either side of the market out of recent consolidation patterns (though bonds are close!).



It **wouldn't** be a surprise to see such consolidations continue into the end of the year. That said, if bonds manage to break lower from here, it would keep at least some hope alive for rates re-entering their ultra-long-term downtrend.



In terms of important levels to watch in the weeks ahead, 10yr yields ended the week right in line with 3.075%. That's been in the thick of things in terms of ceiling/floor bounces lately. Below that, 3.00% would be the more serious threshold we'd need to cross **before** getting our hopes up too much.



To reiterate though, the holiday season **casts doubt** on the significance of bond market movement. It may look like something is happening on one day/week only for it to "un-happen" on the following day/week. Thanksgiving week is possibly the worst one to watch as far as getting a reliable idea of bond market momentum. It won't be until the first week of December that financial markets are back at some semblance of full force for a few weeks before 2018 is in the books.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Wednesday, Nov 14				
7:00AM	w/e Mortgage Refinance Index	824.7		861.8
7:00AM	w/e MBA Purchase Index	220.8		213.6
8:30AM	Oct CPI mm, sa (%)	+0.3	0.3	0.1
8:30AM	Oct Core CPI Year/Year (%)	+2.1	2.2	2.2
Thursday, Nov 15				
8:30AM	Oct Retail Sales (%)	+0.8	0.5	0.1
8:30AM	Oct Import prices mm (%)	+0.5	0.1	0.5
8:30AM	Oct Export prices mm (%)	+0.4	0.1	0.0
8:30AM	Nov Philly Fed Business Index	12.9	20.0	22.2
8:30AM	Nov NY Fed Manufacturing	23.3	20.00	21.10
8:30AM	w/e Jobless Claims (k)	216	215	214
10:00AM	Sep Business Inventories (%)	+0.3	0.3	0.5
Friday, Nov 16				
9:15AM	Oct Industrial Production (%)	+0.1	0.2	0.3
9:15AM	Oct Capacity Utilization (%)	78.4	78.2	78.1
Monday, Nov 19				
10:00AM	Nov NAHB housing market indx	60	67	68
Tuesday, Nov 20				
8:30AM	Oct Build permits: change mm (%)	-0.6		1.7
8:30AM	Oct Housing starts number mm (ml)	1.228	1.225	1.201
8:30AM	Oct House starts mm: change (%)	+1.5		-5.3
8:30AM	Oct Building permits: number (ml)	1.263	1.267	1.270
Wednesday, Nov 21				
7:00AM	w/e MBA Purchase Index	227.7		220.8
7:00AM	w/e Mortgage Refinance Index	783.7		824.7
8:30AM	Oct Durable goods (%)	-4.4	-2.5	0.7
8:30AM	Oct Nondefense ex-air (%)	0.0	0.2	-0.1
8:30AM	w/e Jobless Claims (k)	224	218	216
10:00AM	Oct Existing home sales (ml)	5.22	5.20	5.15
10:00AM	Nov U Mich Sentiment Final (ip)	97.5	98.3	98.3

Event Importance:

- No Stars = Insignificant
- ☆ Low
- ★ Moderate
- ★★ Important
- ★★★ Very Important

Date	Event	Actual	Forecast	Prior
10:00AM	Nov U Mich 1Yr Inf Final (%)	2.8		2.8
10:00AM	Nov U Mich 5-Yr Inf Final (%)	2.6		2.6
10:00AM	Oct Exist. home sales % chg (%)	+1.4	1.0	-3.4
Thursday, Nov 22				
12:00AM	Thanksgiving Day			

About Michael

If you are thinking about buying or refinancing a home in the Kansas City area, you've probably faced the dilemma of hiring the right Loan Officer to handle your mortgage. You may be concerned about working with someone that doesn't know the area, or who doesn't listen to you. Maybe you're worried about a loan officer who is more concerned with a commission than making sure you're properly taken care of.

Great news - I can help!

IF YOU ARE THINKING OF BUYING A HOME... I would love to share with you the mortgage loan products that are available to you, and also talk about what homes might be coming onto the market very soon. As a Kansas City resident who also went to college just down the street in Lawrence, I'm not just your loan officer but also your neighbor. I'd love to talk to you about my knowledge not only about the Kansas City market, and what neighborhoods would be perfect to you but also help you truly understand the landscape of the mortgage industry today, and introduce you to great Real Estate Agents that are ready to go to work for you and find you the perfect home. I'll help guide you through appraisals, inspections, title searches, and finally closing.

IF YOU ARE A REALTOR LOOKING FOR A REFERRAL PARTNER... I would love to sit down with you over a cup of coffee and show you ways to generate leads for your business and help you grow your clientele through some easy processes that NO other Real Estate Agents are doing. I am a growing Social Media guru that can show you my tips and tricks on how I've doubled my Twitter base in just a month!

If it sounds like I can help you, please contact me directly through Linked In, email me at mbaker@affinityhomeloan.com or call/text me at 913-735-5363. If you're not yet ready for a conversation, but you'd like to learn more about me and how I can help you or about the mortgage process in general, including great blog posts to send out to your clients, check out my website at <http://www.michaelbakerhomeloans.com>.

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