



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](#)

Housing Market Weakness Depends on Perspective

This week's **biggest housing-related headline** was the drop to a 3-year low in Existing Home Sales. This is just the latest in a series of reports that suggests housing has turned some sort of scary corner. But drawing the line between fear and reality can be a matter of perspective.

Has housing data actually weakened in the past year? Undoubtedly! There's really **no denying or debating** that fact. But home sales dropped in a similar way in 2013 after the last comparable spike in interest rates only to go on to new long-term highs by the middle of 2015.

We **can't really know** if housing will recover in a similar way this time, and that's exactly the point! Nothing we've seen so far is much of a surprise in the context of the interest rate spike. In fact, if anything, the surprise is how **well** housing continued to do after the first phase of the rate spike in late 2016. It wasn't until the 2nd phase in 2018 that sales finally capitulated.

National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			

30 Yr. Fixed	7.28%	-0.09	0.00
15 Yr. Fixed	6.75%	-0.07	0.00
30 Yr. FHA	6.70%	-0.12	0.00
30 Yr. Jumbo	7.48%	-0.07	0.00
5/1 ARM	7.35%	-0.07	0.00

Freddie Mac

30 Yr. Fixed	7.22%	-0.22	0.00
15 Yr. Fixed	6.47%	-0.29	0.00

Rates as of: 5/3

Market Data

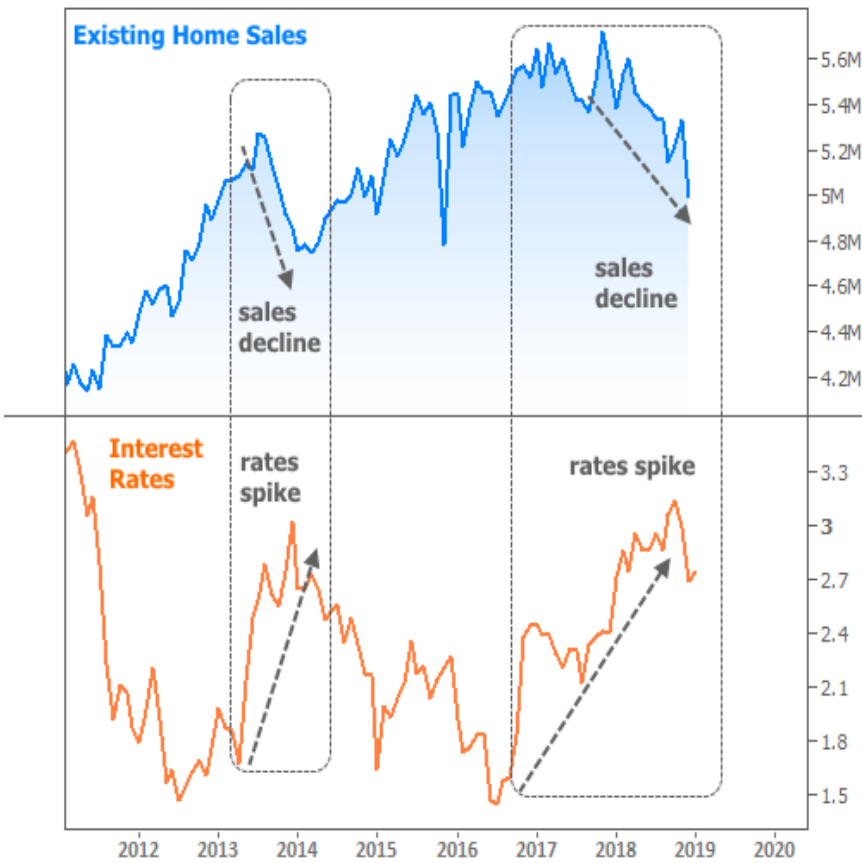
	Price / Yield	Change
MBS UMBS 6.0	100.09	+0.31
MBS GNMA 6.0	101.03	+0.29
10 YR Treasury	4.5138	0.0000
30 YR Treasury	4.6711	0.0000

Pricing as of: 5/5 7:51PM EST

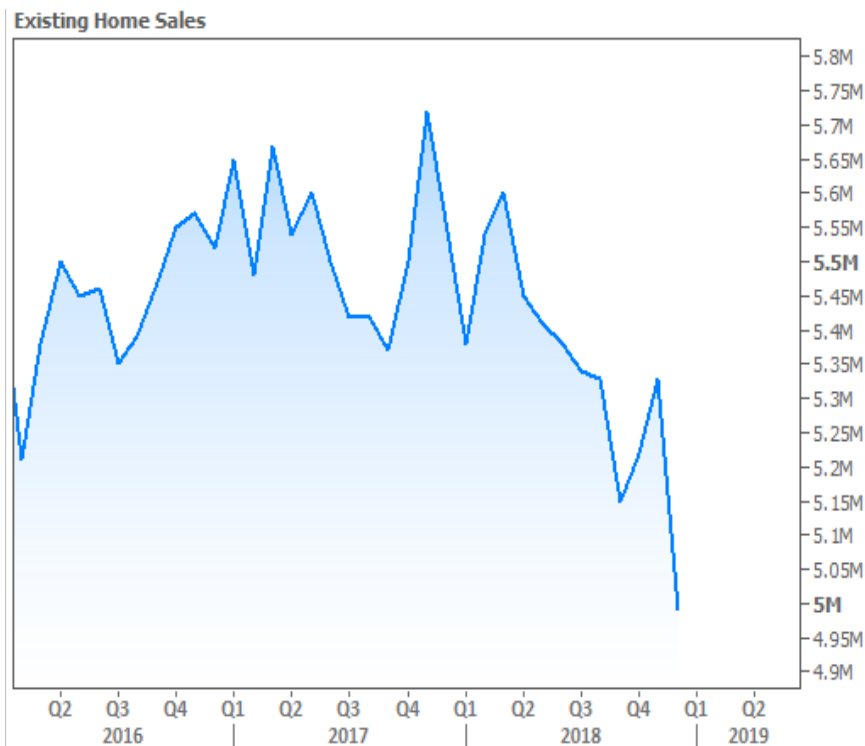
Recent Housing Data

		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%

Sales vs Rates



Now forget the interest rate considerations above and simply focus on perspective and context. Just by changing the time period on the chart, we can paint **vastly different pictures**. The most downbeat pictures are those that compare current levels to the long-term highs seen in 2017.



Things change as we zoom out to wider points of view. This could still look a bit gloomy depending on your perspective, but much less so than the previous chart:

Existing Home Sales



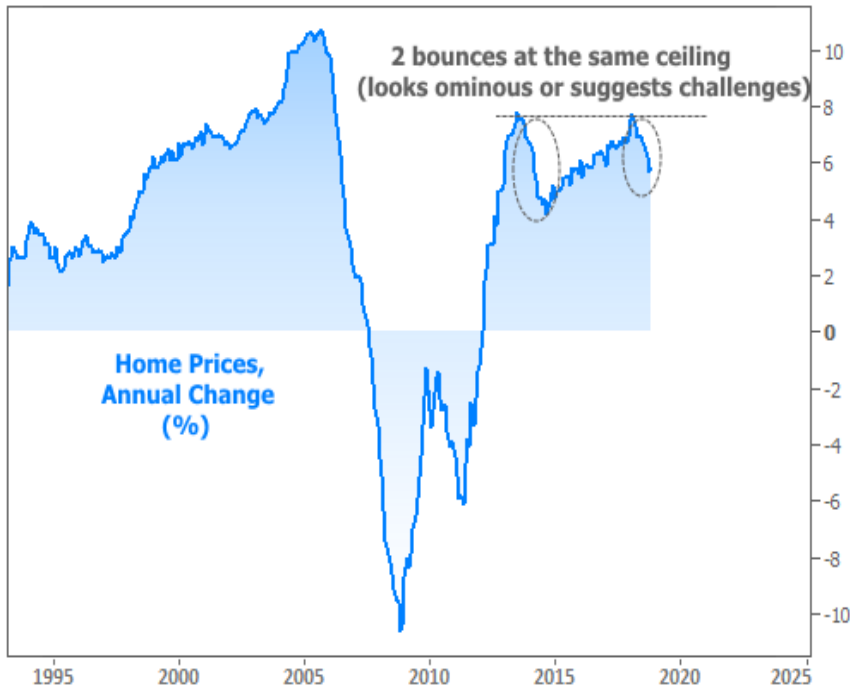
If we continue to zoom out, the longer-term trend emerges. In this chart, it's actually easier to make a case for housing market **strength**. The red line is a simple linear regression from before the 2000's housing boom. When sales are under that line, it signifies opportunity to improve. Additionally, it's reassuring to see that sales are **not** currently falling from one of their boom cycles (those have been the worst times for the housing market).

Existing Home Sales



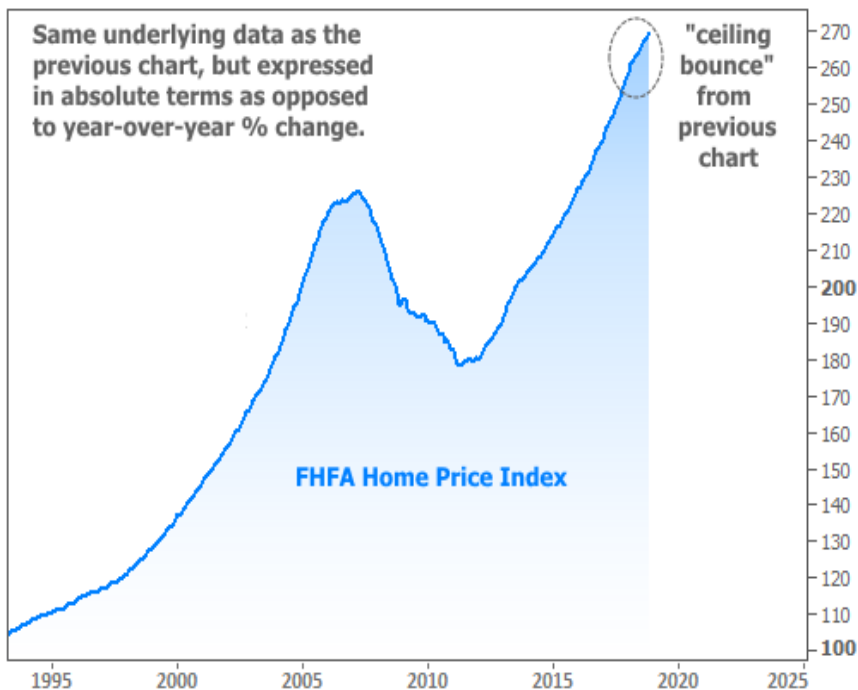
Perspective can have an impact on our assessment when it comes to home **prices** as well. The latest home price report from the FHFA (Fannie and Freddie's regulator) was also released this week. Home prices are commonly reported in terms of year-over-year change. This is a useful practice as it allows us to see changes in trends more easily. Here too, we see the ill effects of the 2013 and 2018 rate spikes as well as a potentially ominous ceiling blocking further progress.

FHFA Home Prices



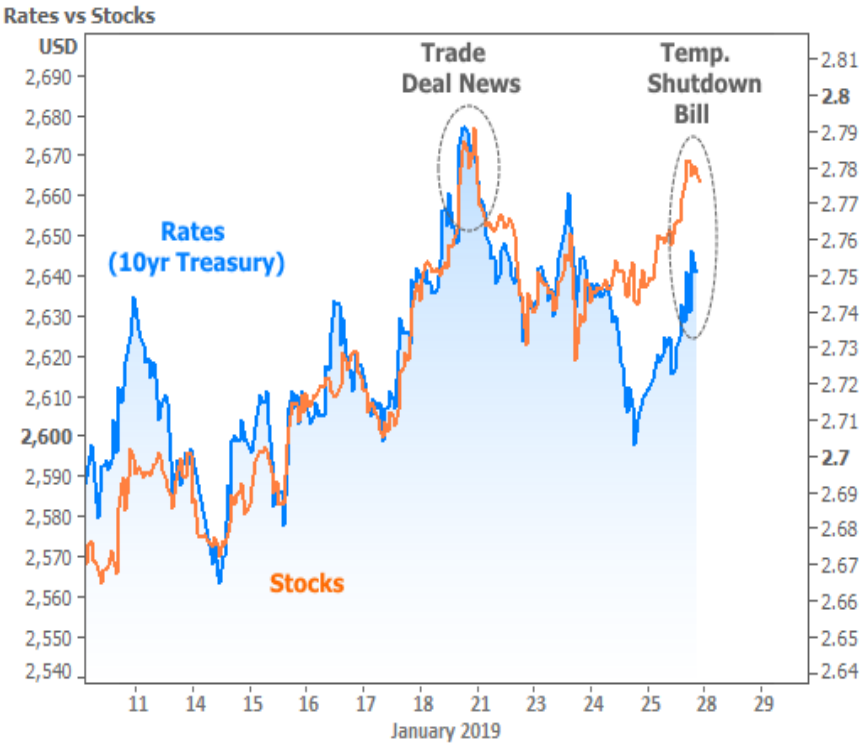
But **let's ask ourselves** if we'd really want home prices to accelerate faster and faster when they've already spent several years in the 5-7% range. That doesn't sound sustainable in an economy where wage growth only recently made it back to 3%. Perhaps **more importantly**, let's ask ourselves why a drop in the pace of appreciation is a bad thing if prices are still moving up. For instance, here's what the same data looks like when we chart the outright level of FHFA's home price index.

FHFA Home Prices



The point of all this is to reiterate that different cases can be made simply by using different techniques to present the **exact same** data.

In **financial markets**, stocks and bonds/rates spent the first part of the week moving lower before bouncing on Friday as odds improved for a temporary re-opening of the government. The temporary nature of the solution likely accounts for the absence of a bigger market reaction. Neither stocks nor bonds were willing to move back to the levels seen after last week's trade-related news.



Next week brings **two key events** that were on the schedule regardless of the shutdown. The Federal Reserve will release an updated policy statement on Wednesday afternoon. They **won't** be raising rates at this meeting. In fact, many investors think we'll see the Fed strike a softer tone compared to December's announcement. Such things are usually good for rates, but if investors were in broad agreement about that likelihood, rates would have already benefited from those expectations.

Then on Friday, we'll get the next installment of the government's official jobs report--always one of the biggest potential sources of volatility for interest rates. As of Friday afternoon, the government hasn't announced a tentative schedule for releasing any of the data that had been on hold during the shutdown.

Subscribe to my newsletter online at: <http://housingnewsletters.com/michaelbaker>

Recent Economic Data

Date	Event	Actual	Forecast	Prior
Tuesday, Jan 22				
10:00AM	Dec Existing home sales (ml)	4.99	5.25	5.32
10:00AM	Dec Exist. home sales % chg (%)	-6.4	-1.0	1.9
Wednesday, Jan 23				
7:00AM	w/e MBA Purchase Index	272.5		278.5

Event Importance:

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

Date	Event	Actual	Forecast	Prior
7:00AM	w/e Mortgage Refinance Index	1110.5		1172.4
Thursday, Jan 24				
8:30AM	w/e Jobless Claims (k)	199	211	213
10:00AM	Dec Leading index chg mm (%)	-0.1	-0.1	0.2
Monday, Jan 28				
11:30AM	2-Yr Note Auction (bl)	40		
1:00PM	5-Yr Note Auction (bl)	41		
Tuesday, Jan 29				
9:00AM	Nov CaseShiller 20 yy (%)	+4.7	4.9	5.0
1:00PM	7-Yr Note Auction (bl)	32		
Wednesday, Jan 30				
7:00AM	w/e MBA Purchase Index	266.2		272.5
7:00AM	w/e Mortgage Refinance Index	1049.9		1110.5
10:00AM	Dec Pending Home Sales (%)	-2.2	0.5	-0.9
10:00AM	Dec Pending Sales Index	99.0		101.2
2:00PM	N/A FOMC rate decision (%)	2.250 - 2.500	2.375	2.375
Thursday, Jan 31				
8:30AM	w/e Jobless Claims (k)	253	227	199
9:45AM	Jan Chicago PMI	56.7	61.5	65.4
Friday, Feb 01				
8:30AM	Jan Non-farm payrolls (k)	+304	165	312
8:30AM	Jan Unemployment rate mm (%)	4.0	3.9	3.9
8:30AM	Jan Average earnings mm (%)	+0.1	0.3	0.4
10:00AM	Jan ISM Manufacturing PMI	56.6	54.2	54.1
10:00AM	Jan ISM Mfg Prices Paid	49.6	54.5	54.9
10:00AM	Jan Consumer Sentiment (ip)	91.2	90.8	90.7
10:00AM	Jan Consumer Inflation Expectations (1yr) (%)	2.7		2.7
10:00AM	Jan Consumer Inflation Expectations (5yr) (%)	2.6		2.6

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>.

Michael Baker

