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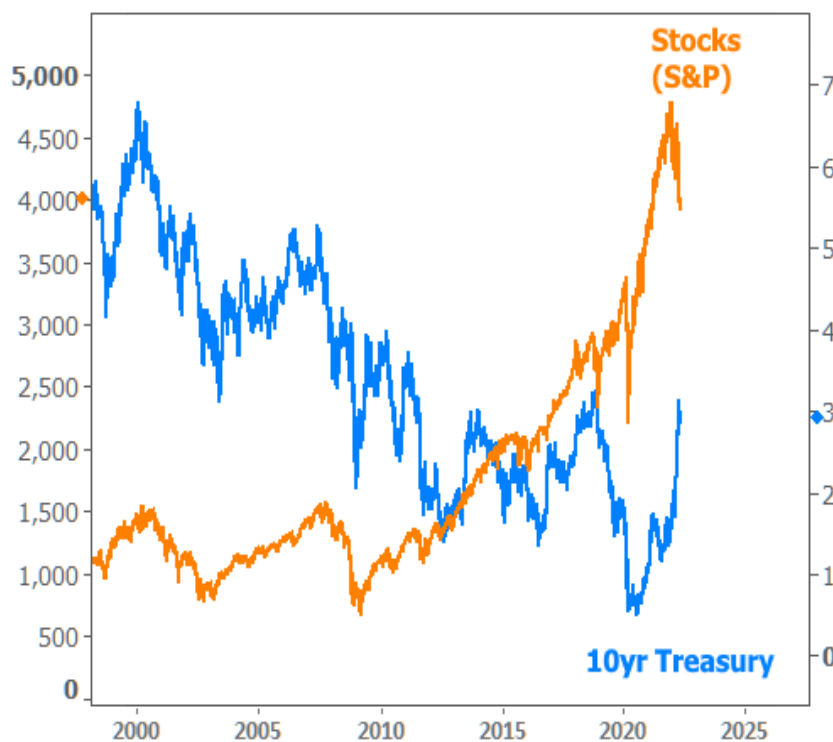
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## Best Week For Rates in Almost 2 Years, But There's a Catch

Mortgage rates have moved higher at the fastest pace in decades so far in 2022, but this week proved to be a refreshing exception. To understand why, we first need to examine the relationship between stocks and bonds, which is a bit more variable than most people assume.

Conventional wisdom holds that stock prices and bond yields correlate with each other. This makes good logical sense from the standpoint of selling one to buy the other. For instance, if you sold bonds to buy stocks, bond yields and stock prices would both move higher together.

While we often see this correlation over short time frames, the longer term trends tend to be quite different.



To make matters more confusing, despite the INVERSE relationship over the longer run, there are definitely pockets of time where investors are moving money out of stocks, into bonds, and vice versa. This week hasn't been flawless in that regard, but it has generally seen more of that conventional wisdom type of movement.

## National Average Mortgage Rates



	Rate	Change	Points
<b>Mortgage News Daily</b>			

30 Yr. Fixed	7.43%	+0.02	0.00
15 Yr. Fixed	6.84%	+0.01	0.00
30 Yr. FHA	6.90%	+0.03	0.00
30 Yr. Jumbo	7.62%	+0.02	0.00
5/1 ARM	7.40%	+0.03	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: 4/18

## Market Data

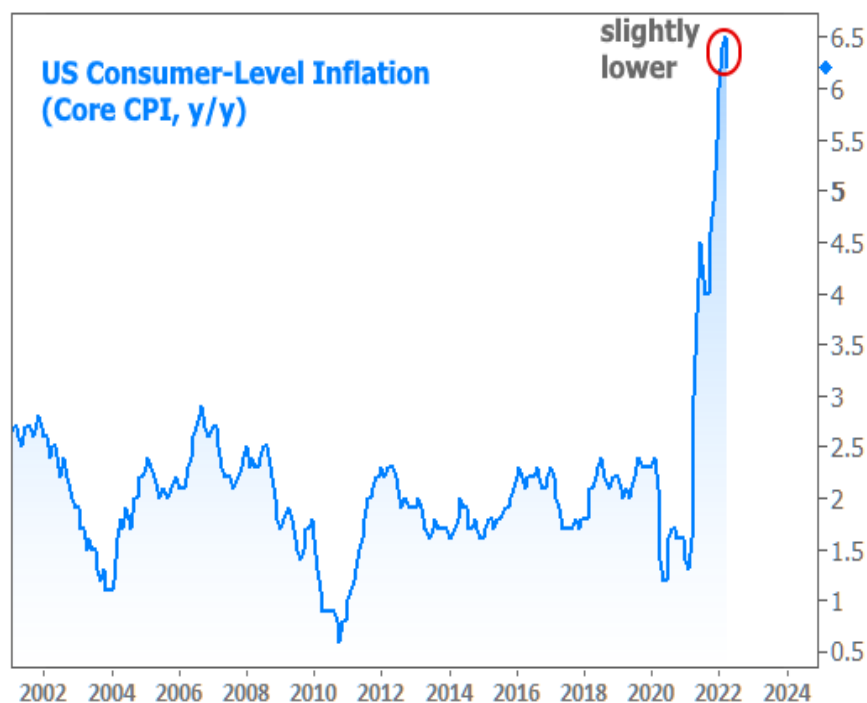
	Price / Yield	Change
MBS UMBS 6.0	99.23	-0.07
MBS GNMA 6.0	100.06	0.00
10 YR Treasury	4.6145	-0.0120
30 YR Treasury	4.7080	-0.0238

Pricing as of: 4/19 10:05AM EST

## Recent Housing Data

		Value	Change
Mortgage Apps	Apr 17	202.1	+3.27%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Feb	662K	+0.15%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%
Builder Confidence	Mar	51	+6.25%





There are a few ways to measure inflation. The chart above is only one of the numbers that came out this week. Although it was slightly lower versus the previous reading, economists were expecting a bit more of a drop. This led to the temporary reaction that sent bond yields higher and stocks lower.

The middle of the week was dominated by additional weakness in stocks and a refreshing improvement in bonds, but the trend reversed on Friday as stocks found their footing. Bond yields moved higher at the same time, but not at the same pace. In fact, even after the losses, it was the best week of the year for bonds so far--at least when it comes to the pace of improvement.

Bond yields are highly correlated with mortgage rates. The strong week for bonds meant a strong week for mortgages. Even after rates edged higher on Friday, it was still the best week over week improvement in nearly 2 years. The caveat is that such an accomplishment was only made possible by rates starting the week at the highest levels since 2009.

Note: there are multiple news stories suggesting rates moved **higher** this week due to the prevalence of Freddie Mac's weekly mortgage rate survey as a source for news outlets. Freddie's data is fine as long as it's understood. Specifically, a majority of survey responses are received on Monday of any given week, but the results are not published until Thursday. That means it usually ends up being a "Monday vs Monday" number. Indeed, this Monday's rates were higher than last Monday's, but the point is that when we look at actual daily offerings, this Friday was quite a bit better than last Friday.



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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Tuesday, May 10				
1:00PM	3-Yr Note Auction (bl)	45		
Wednesday, May 11				
7:00AM	w/e MBA Purchase Index	255.4		244.4
7:00AM	w/e MBA Refi Index	913.6		932.3
8:30AM	Apr Consumer Price Index (CPI) (%)	0.3	0.2	1.2
8:30AM	Apr Core CPI (Annual) (%)	6.2	6.0	6.5
Thursday, May 12				
8:30AM	Apr Producer Prices (%)	0.5	0.5	1.4
8:30AM	Apr Core Producer Prices YY (%)	8.8	8.9	9.2
8:30AM	w/e Jobless Claims (k)	203	195	200
Friday, May 13				
8:30AM	Apr Import prices mm (%)	0.0	0.6	2.6
10:00AM	May 1yr Inflation Outlook (%)	5.4		5.4
10:00AM	May Consumer Sentiment	59.1	64.0	65.2

Event Importance:

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

Date	Event	Actual	Forecast	Prior
10:00AM	May 5yr Inflation Outlook (%)	3.0		3.0
<b>Monday, May 16</b>				
8:30AM	May NY Fed Manufacturing	-11.6	17.00	24.60
<b>Tuesday, May 17</b>				
8:30AM	Apr Retail Sales (%)	0.9	0.9	0.5
9:15AM	Apr Industrial Production (%)	1.1	0.5	0.9
10:00AM	May NAHB housing market indx	69	75	77
10:00AM	Mar Business Inventories (%)	2.0	1.9	1.5
<b>Wednesday, May 18</b>				
7:00AM	w/e MBA Purchase Index	225.0		255.4
7:00AM	w/e MBA Refi Index	826.9		913.6
8:30AM	Apr House starts mm: change (%)	-0.2		0.3
8:30AM	Apr Housing starts number mm (ml)	1.724	1.765	1.793
8:30AM	Apr Build permits: change mm (%)	-3.2		0.3
8:30AM	Apr Building permits: number (ml)	1.819	1.812	1.870
<b>Thursday, May 19</b>				
8:30AM	May Philly Fed Business Index	2.6	16.0	17.6
10:00AM	Apr Existing home sales (ml)	5.61	5.65	5.77
10:00AM	Apr Exist. home sales % chg (%)	-2.4		-2.7
10:00AM	Apr Leading index chg mm (%)	-0.3	0.0	0.3
<b>Tuesday, Jul 12</b>				
1:00PM	10-yr Note Auction (bl)	33		
<b>Wednesday, Jul 13</b>				
1:00PM	30-Yr Bond Auction (bl)	19		

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With 27+ years of expertise in mortgage banking you can be confident in my knowledge and abilities to deliver a seamless loan transaction while providing personalized service.

**Rich E. Blanchard**

