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# What Does This Week's Rate Spike Mean?

Mortgage rates came **very close to all-time lows** last week. Throughout 2016, their move lower had been almost completely unopposed. When anything in financial markets moves faster than normal in one direction, it's only a matter of time before we see a correction.

We've certainly seen a correction in rates this week (they've moved quickly higher), but that **may mean different things** to different people. For instance, if you didn't happen to follow day-to-day mortgage rate changes last week, this week's rates would still look quite good. In fact, apart from last week, this week's rates are the lowest in about a year!

That's little consolation to those who **did** happen to see last week's rates and missed the chance to lock. In other words, this week could be viewed in a positive or negative light. The same is true in thinking about what the correction means going forward.

Optimists could decide that the spike is merely a correction to an 'overheating' of the positive trend in 2016 (**a trend that could now continue**). In other words, maybe rates went too low, too quickly and had to adjust to a more sustainable pace. This version of reality is seen in the top pane in the following chart of 10yr Treasury yields (a more active proxy for mortgage rate momentum).

## National Average Mortgage Rates




| Mortgage News Daily | Rate | Change | Points |
|---|---|---|---|
| 30YR Fixed | 7.34% | +0.01 | 0.00 |
| 15YR Fixed | 6.89% | 0.00 | 0.00 |
| 30YR FHA | 6.96% | +0.01 | 0.00 |
| 30YR Jumbo | 7.45% | +0.01 | 0.00 |
| 7/6 SOFR | 6.83% | +0.02 | 0.00 |
| 30YR VA | 6.97% | 0.00 | 0.00 |

Rates as of: 11/23

## MBS and Treasury

| | Price / Yield | Change |
|---|---|---|
| MBS UMBS 6.0 | 99.78 | +0.22 |
| 10 YR Treasury | 4.8899 | -0.0563 |
| 30 YR Treasury | 5.2789 | -0.0295 |

Pricing as of: 11/24 11:58AM EST

## Recent Housing Data

| | | Value | Change |
|---|---|---|---|
| Mortgage Apps | Nov 11 | 199.8 | -2.35% |
| Building Permits | Oct | 1.3M | -7.5% |
| Housing Starts | Oct | 1.31M | +7.21% |
| New Home Sales | Sep | 676K | -1.17% |
| Pending Home Sales | Oct | 63 | -4.69% |
| Existing Home Sales | Oct | 3.99M | +0.25% |
| Builder Confidence | Nov | 25 | -13.79% |

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The lower pane, of course, represents the more cautious, pessimistic view. Specifically, this week's spike could be seen as an attempt to get **back in line** with a **much** longer-term trend leading away from 2012's all-time lows.

It is always **good to remember** that there is no way to know which one of these assessments is more accurate. Cases can be made and trends can be followed, but ultimately, the very best strategy is to be aware of the possibilities and to have a game-plan ready to execute for any given outcome.

I do think it's fair to say that we haven't seen enough weakness in rates markets (or enough strength in stocks) to conclude that the good times are over in 2016. Corrections and spikes like those seen this week will always happen periodically when rates are moving as aggressively as they have been.

**Housing and Mortgage-Specific News**

Unsurprisingly, last week's stellar mortgage rates resulted in another sharp increase in the refinance component of the MBA's Mortgage Market Index.

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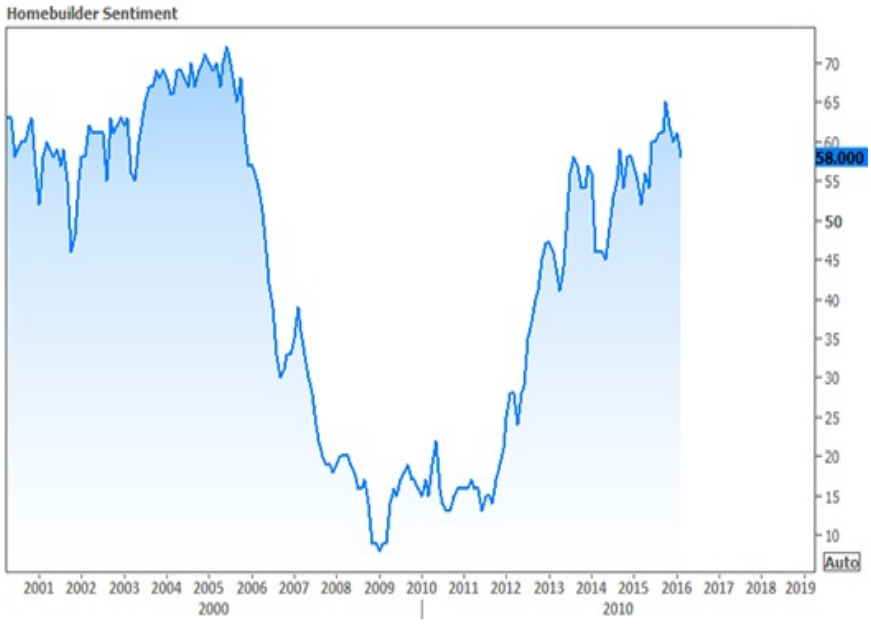
Housing Starts and Building Permits came in just slightly lower for January, but **remained in strong territory** overall. Starts were down 3.8 percent to 1.099 million and Permits fell 0.2 percent to 1.202 million.

Freddie Mac Announced **expanded loan-to-value ratios** for super-conforming loan amounts (higher loan limits intended to provide lenders liquidity in the highest cost areas of the country).

Finally, **Builder Confidence** continued to slide this week according to NAHB's Homebuilder Sentiment Index. Some context is important here though. First of all, there are normal seasonal distortions in this data that result in confidence typically bottoming out in the spring. It looks like we're heading into that same cyclical pattern. Beyond that, the Index is still in great shape in the bigger picture:

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## Recent Economic Data

| Date | Event | Actual | Forecast | Prior |
|---|---|---|---|---|
| **Monday, Feb 15** | | | | |
| 12:00AM | Presidents Day | | | |
| **Tuesday, Feb 16** | | | | |
| 8:30AM | Feb NY Fed manufacturing | -16.64 | -10.00 | -19.37 |
| 10:00AM | Feb NAHB housing market indx | 58 | 60 | 60 |
| 4:00PM | Dec Foreign buying, T-bonds (bl) | -35.9 | | 38.4 |
| **Wednesday, Feb 17** | | | | |
| 7:00AM | w/e Mortgage Refinance Index | 2456.7 | | 2117.2 |
| 7:00AM | w/e MBA Purchase Index | 213.3 | | 221.6 |
| 8:30AM | Jan Building permits: number (ml) | 1.202 | 1.200 | 1.204 |
| 8:30AM | Jan Build permits: change mm (%) | -0.2 | | -6.1 |
| 8:30AM | Jan Housing starts number mm (ml) | 1.099 | 1.170 | 1.149 |
| **Thursday, Feb 18** | | | | |

## Event Importance:

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

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| Date | Event | Actual | Forecast | Prior |
|---|---|---|---|---|
| 8:30AM | w/e Initial Jobless Claims (k) | 262 | 270 | 269 |
| 8:30AM | w/e Continued jobless claims (ml) | 2.273 | 2.257 | 2.239 |
| **Friday, Feb 19** | | | | |
| 8:30AM | Jan CPI mm, sa (%) | 0.0 | -0.1 | -0.1 |
| 8:30AM | Jan Core CPI index, sa | 245.23 | | 244.52 |
| **Tuesday, Feb 23** | | | | |
| 9:00AM | Dec CaseShiller 20 mm nsa (%) | 0.0 | 0.1 | 0.1 |
| 10:00AM | Jan Exist. home sales % chg (%) | +0.4 | -2.9 | 14.7 |
| 10:00AM | Jan Existing home sales (ml) | 5.47 | 5.32 | 5.46 |
| 10:00AM | Feb Consumer confidence | 92.2 | 97.0 | 98.1 |
| **Wednesday, Feb 24** | | | | |
| 10:00AM | Jan New home sales chg mm (%) | -9.2 | -4.4 | 10.8 |
| 10:00AM | Jan New home sales-units mm (ml) | 0.494 | 0.520 | 0.544 |
| **Friday, Feb 26** | | | | |
| 8:30AM | Q4 GDP Prelim (%) | +1.0 | 0.4 | 0.7 |
| 10:00AM | Jan Core PCE price index mm (%) | +0.3 | 0.2 | 0.0 |
| 10:00AM | Jan PCE price index mm (%) | +0.1 | | -0.1 |
| 10:00AM | Jan Personal consump real mm (%) | +0.4 | | 0.1 |
| 10:00AM | Jan Consumption, adjusted mm (%) | +0.5 | 0.3 | 0.0 |
| **Wednesday, Apr 05** | | | | |
| 2:00PM | FOMC Minutes | | | |

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