

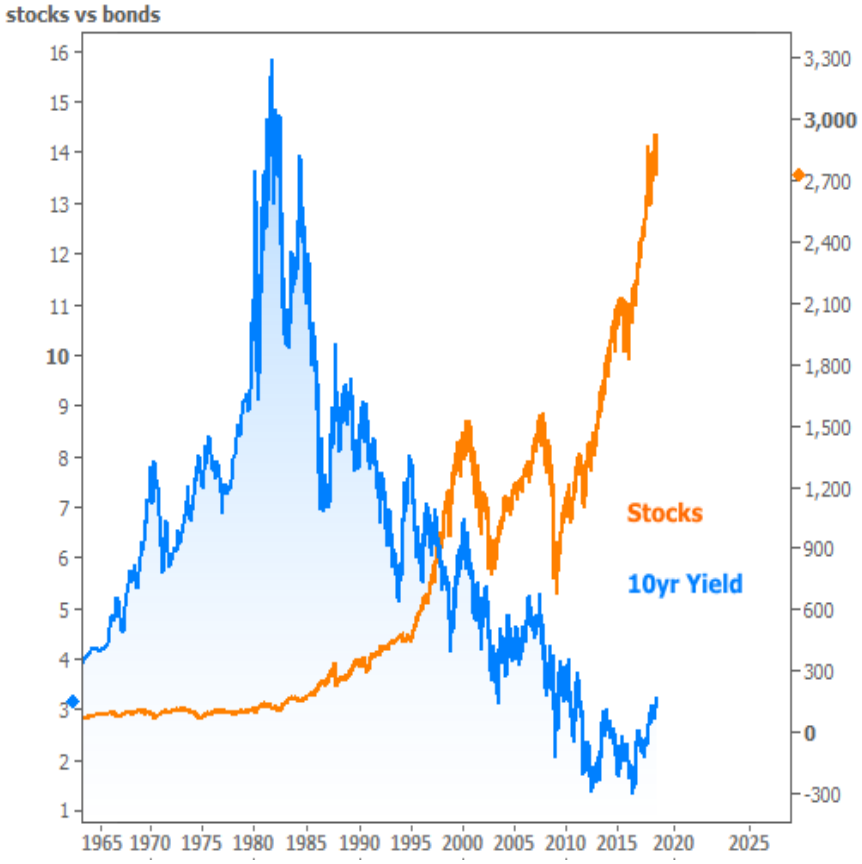
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# Interest Rates Don't Go Up In a Straight Line – Here's Why

If you've been anywhere close to the housing market over the past few years, you know mortgage rates have been rising. Last week brought one of the sharpest increases in years even as rates were already pushing long-term highs. Now, this week's massive stock sell-off dropped in to remind us that rates don't always rise in a straight line.

There's a **common misconception** that stocks and rates move in the same direction. Stronger economy, higher stock prices, more jobs, more inflation, higher rates! Right?! In reality, it's not quite that simple, and it's always helpful to revisit the following chart to see why.




Despite the chart above, stocks and rates actually **DO** spend quite a bit of time moving in the same direction. In fact, the only real misconception is that they're **ALWAYS** moving in the same direction. Sometimes, they're joined at the hip. Other times, they're clearly moving in **opposite** directions.

## National Average Mortgage Rates




### Mortgage News Daily

| | Rate | Change | Points |
|---|---|---|---|
| 30YR Fixed | 7.27% | **0.00** | 0.00 |
| 15YR Fixed | 6.92% | **0.00** | 0.00 |
| 30YR FHA | 6.91% | **+0.01** | 0.00 |
| 30YR Jumbo | 7.52% | **-0.03** | 0.00 |
| 7/6 SOFR | 6.70% | **-0.08** | 0.00 |
| 30YR VA | 6.92% | **+0.01** | 0.00 |

Rates as of: 11/2

## MBS and Treasury

| | Price / Yield | Change |
|---|---|---|
| MBS UMBS 6.0 | 99.78 | **-0.08** |
| 10 YR Treasury | 4.9548 | **+0.0500** |
| 30 YR Treasury | 5.3286 | **+0.0391** |

Pricing as of: 11/3 12:51PM EST

## Recent Housing Data

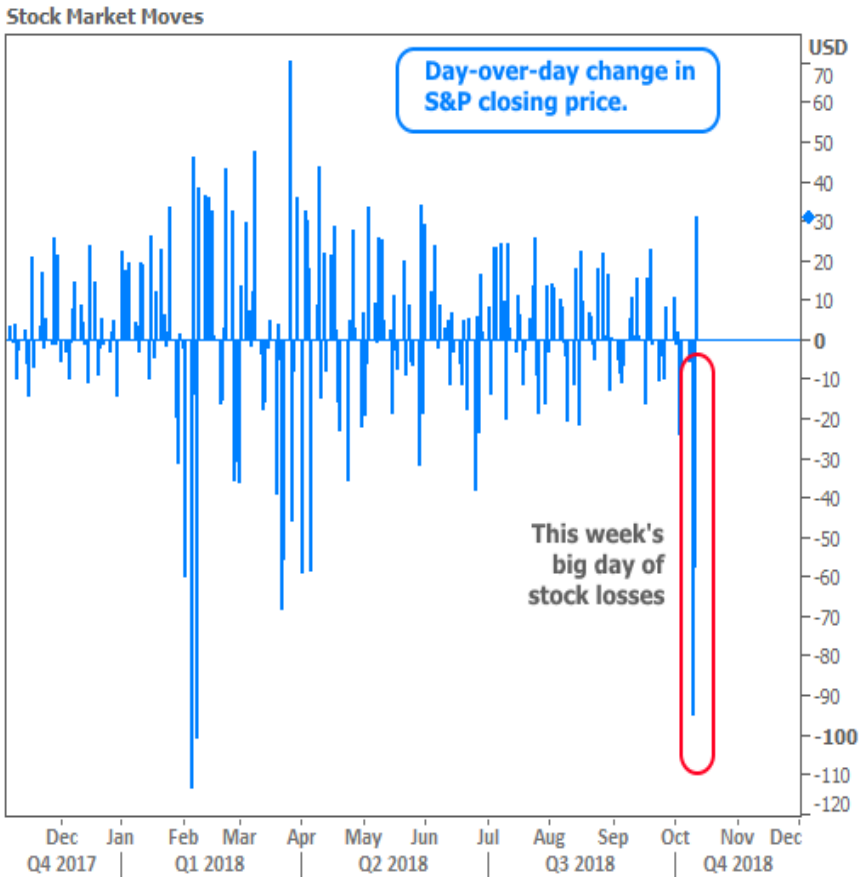
| | | Value | Change |
|---|---|---|---|
| Mortgage Apps | Oct 21 | 195 | +3.39% |
| Building Permits | Sep | 1.4M | +0.43% |
| Housing Starts | Sep | 1.22M | -4.24% |
| New Home Sales | Sep | 676K | -1.17% |
| Pending Home Sales | Aug | 71.2 | 0% |
| Existing Home Sales | Oct | 3.99M | +0.25% |
| Builder Confidence | Oct | 29 | -9.38% |

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Fortunately for rates, the **biggest** stock market sell-offs are almost always helpful. And this week's was big! In fact, Wednesday's stock sell-off was the 3rd biggest since the Financial Crisis (the other two were in early 2018).

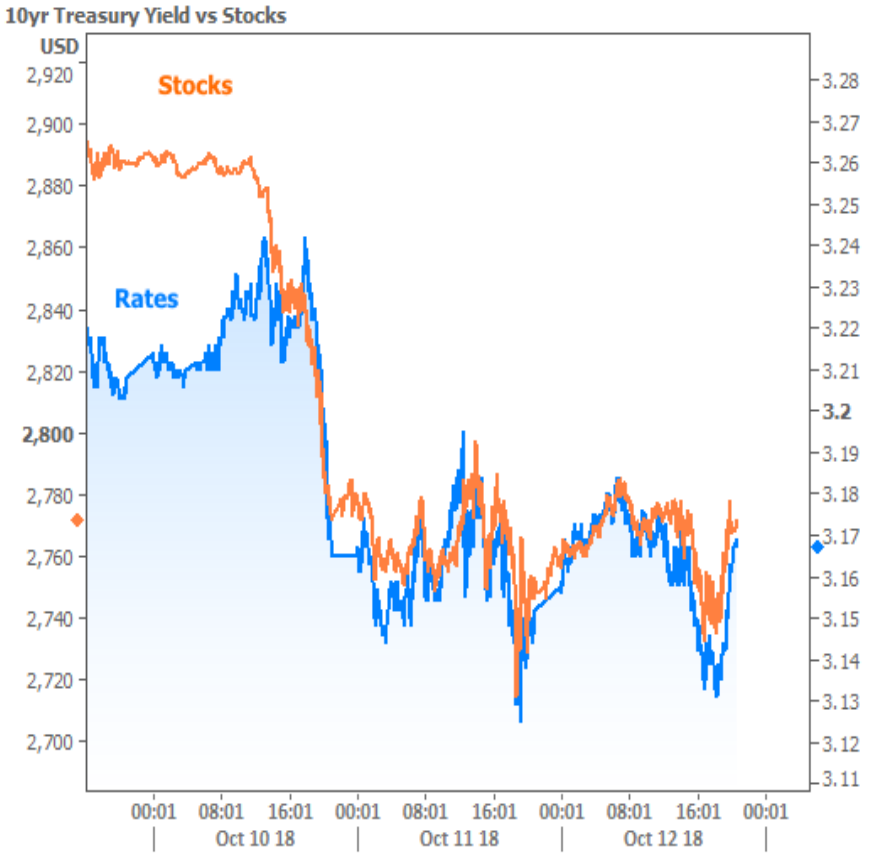



Rates were **reluctant** to follow stocks lower at first, but once things started to get really ugly for stocks, that changed. Rates were then relatively preoccupied with the prospect of additional weakness (which would have helped even more) or the risk of a big bounce (which would likely have caused rates to bounce as well).

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The net effect was that mortgage rates fell back to their **lowest levels** since last Thursday by the end of the week. You may have seen news stories over the past two days talking about a "sharp move higher" in rates. This has to do with stale underlying data used by many media outlets to write their once-a-week mortgage rate article. The sharp move higher occurred LAST week, as we discussed at the time.

With that in mind, it's important to remember that we're **still in a rising rate environment**. There are big headwinds in place and they won't go away quickly or easily. Rates' reluctance to follow big stock losses is apparent in the following chart.

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The **silver lining** is that financial markets are well aware of the challenges facing rates. And when traders are well aware of something, they trade accordingly. That means they've already pushed rates part of the way toward their expected destination, thus leaving more room for **pockets of recovery** along the way.

Much of the time, these pockets of recovery will take rates back down a ceiling they'd recently broken. In terms of 10yr Treasury yields (which tend to move proportionately with mortgage rates), 3.13% looks like just such a ceiling. A break below 3.13% would then suggest a move back toward 3.03%. And while none of that would look very impressive in the bigger picture, it could make a big difference for prospective buyers and borrowers in the coming weeks.

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## Recent Economic Data

| Date | Event | Actual | Forecast | Prior |
|---|---|---|---|---|
| **Wednesday, Oct 10** | | | | |
| 7:00AM | w/e MBA Purchase Index | | | 240.7 |
| 7:00AM | w/e Mortgage Refinance Index | | | 945.9 |
| 8:30AM | Sep Producer Prices (%) | | 0.2 | -0.1 |
| 8:30AM | Sep Core Producer Prices YY (%) | | 2.5 | 2.3 |
| 10:00AM | Aug Wholesale inventories mm (%) | | 0.8 | 0.8 |
| **Thursday, Oct 11** | | | | |
| 8:30AM | Sep CPI mm, sa (%) | | 0.2 | 0.2 |
| 8:30AM | Sep Core CPI Year/Year (%) | | 2.3 | 2.2 |
| **Friday, Oct 12** | | | | |
| 8:30AM | Sep Import prices mm (%) | | 0.2 | -0.6 |
| 8:30AM | Sep Export prices mm (%) | | 0.2 | -0.1 |
| 10:00AM | Oct Consumer Sentiment | | 100.5 | 100.1 |
| 10:00AM | Oct 1yr Inflation Outlook (%) | | | 2.7 |
| 10:00AM | Oct 5yr Inflation Outlook (%) | | | 2.5 |
| **Monday, Oct 15** | | | | |

## Event Importance:

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

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| Date | Event | Actual | Forecast | Prior |
|---|---|---|---|---|
| 8:30AM | Sep Retail Sales (%) | 0.1 | 0.6 | 0.1 |
| 8:30AM | Oct NY Fed Manufacturing | 21.10 | 19.00 | 19.00 |
| 10:00AM | Aug Business Inventories (% ) | 0.5 | 0.5 | 0.6 |
| **Tuesday, Oct 16** | | | | |
| 9:15AM | Sep Industrial Production (%) | 0.3 | 0.2 | 0.4 |
| 9:15AM | Sep Capacity Utilization (%) | 78.1 | 78.2 | 78.1 |
| 10:00AM | Oct NAHB housing market indx | 68 | 67 | 67 |
| **Wednesday, Oct 17** | | | | |
| 8:30AM | Sep Building permits: number (ml) | 1.241 | 1.278 | 1.249 |
| 8:30AM | Sep House starts mm: change (%) | -5.3 | | 9.2 |
| 8:30AM | Sep Housing starts number mm (ml) | 1.201 | 1.220 | 1.282 |
| 8:30AM | Sep Build permits: change mm (%) | -0.6 | | -4.1 |
| **Thursday, Oct 18** | | | | |
| 8:30AM | Oct Philly Fed Business Index | 22.2 | 20.0 | 22.9 |
| **Friday, Oct 19** | | | | |
| 10:00AM | Sep Existing home sales (ml) | 5.15 | 5.30 | 5.34 |
| 10:00AM | Sep Exist. home sales % chg (%) | -3.4 | -0.7 | 0.0 |


## Personalized service, educational approach

My name is Brandon Ross, and I'm a Loan Officer with X2 Mortgage, LLC in Arizona. I'm here to help you achieve your real estate goals. As a mortgage broker, I can access numerous programs from the nation's top residential lenders. My promise is to remain valuable by delivering competitive rates at low costs, being available for you on your schedule, and most importantly, spending the time you need to make an informed and sound financial decision.

**Brandon Ross**




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