

Steve Dunnett
Sr Mortgage Consultant, GreenState Credit Union
NMLS# 755940
112 S Sangamon Second Floor Chicago, IL 60607

Office: (312) 725-2068
Mobile: (708) 289-3408
stevedunnett@greenstate.org
View My Website

2019: The Year Of The Trade War

Certain years gain notoriety in financial markets for various reasons. Sometimes these are massive, individual reasons like 2013, the year of the taper tantrum. Sometimes there are separate themes that pull the market in opposite directions like 2016's Brexit /Trump election combo that pushed rates massively **lower** and then massively **higher**.

2019 has easily joined the ranks of those years that are notorious for one, massive, defining theme. It will forever be remembered as **the year of the trade war**. Granted, we can point to other developments throughout the year that moved the market, but those developments were all informed, mitigated, or complicated by trade war considerations.

Technically, the trade war began in April 2017 when Trump signed executive orders calling for tighter enforcement of certain trade policies and a review of US trade deficits. In August, Trump and Chinese President Xi Jingping failed to make headway in initial trade talks, but that was about it for that year.

2018 was far more active and arguably more important than 2019 in terms of setting stage for trade war drama. This is when when the administration began ramping up tariffs with threats of more to follow. China retaliated in kind. Markets may have paused to to express some **uncertainty** about all this in the first half of the year, but ultimately moved onward and upward (both in terms of stock prices and bond yields) after tariffs began rolling out without the world imploding.

National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.27%	-0.02	0.00
15YR Fixed	6.92%	-0.03	0.00
30YR FHA	6.90%	-0.01	0.00
30YR Jumbo	7.55%	0.00	0.00
7/6 SOFR	6.78%	-0.10	0.00
30YR VA	6.91%	-0.01	0.00

Rates as of: 10/30

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	99.81	-0.02
10 YR Treasury	4.9299	+0.0084
30 YR Treasury	5.3082	+0.0081

Pricing as of: 10/30 5:59PM 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%

© 2026 MBS Live, LLC. - This newsletter is a service of MarketNewsletters.com.

The interest rates provided in this newsletter are national averages from independent data sources. Rate/APR terms may differ from those listed above based on the creditworthiness of the borrower. All information provided "as is" for informational purposes only, not intended for trading purposes or financial advice.

Read or subscribe to my newsletter online at: http://housingnewsletters.com/dunnettmortgage



Things began to change **rapidly** in October 2018 when a slew of nagging macroeconomic concerns finally got the best of the stock market. October and December went on to become the 2 worst months for stocks since the Great Recession. Although the trade war wasn't the only headline in play during that time, it increasingly became the center of the conversation.

For instance, a global growth slowdown was a major concern--especially in China--and the trade war only **intensified** that concern. Additionally, traders were increasingly worried about the end of the economic expansion in the US. The trade war only fueled that fire. The housing market was showing serious weakness and the trade war caused concern about the price of building materials (not to mention the wealth effect taking a hit due to stock losses).

This list could go on, but the bottom line is that **massive economic uncertainty** surrounding the world's 2 largest economies is going to spill over to just about everything. Perhaps nowhere else was this as evident as it was in the Fed's much needed policy shift. After hinting at it in December, the **Fed changed its tone** in January's statement, dropping its reference to "balanced" economic risks and additional rate hikes. Then in March, the Fed added "international developments" to its list of concerns. This would go on to serve as a major justification for the Fed to consider actually **CUTTING** rates after hiking for 3 straight years.

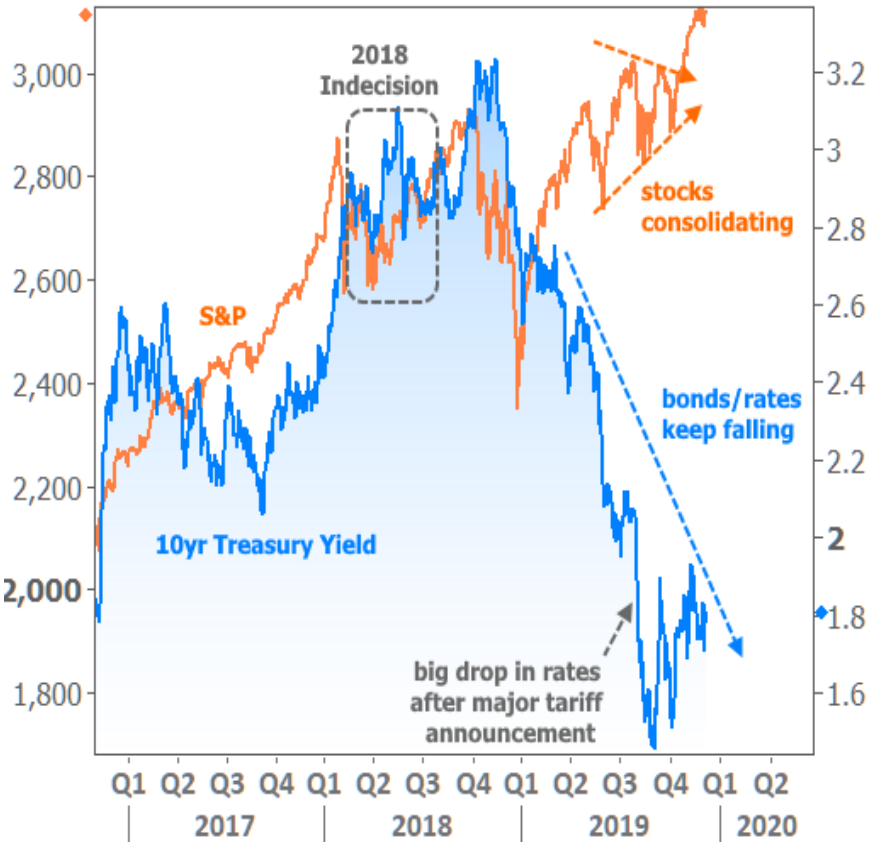
The bond market (aka "rates") realized the Fed was becoming friendly again and that global economic risks could materialize in such a way as to push rates much lower. The **trade war was at the top of the list** of underlying justifications. The stock market reaction was a bit different. Stocks lost so much ground at the end of 2018 that a friendlier Fed (and the prospect of lower rates) helped fuel a steady recovery. Beyond that, stocks managed to find support from decent corporate earnings and ongoing strength in the consumer sector.

© 2026 MBS Live, LLC. - This newsletter is a service of MarketNewsletters.com.

The interest rates provided in this newsletter are national averages from independent data sources. Rate/APR terms may differ from those listed above based on the creditworthiness of the borrower. All information provided "as is" for informational purposes only, not intended for trading purposes or financial advice.

Read or subscribe to my newsletter online at: http://housingnewsletters.com/dunnettmortgage

This led to a situation where stocks consolidated in a triangular pattern for most of the year while rates moved almost exclusively lower through August. Unsurprisingly, the biggest move of the year for rates coincided with the biggest US/China tariff announcement in early August. It was **so big**, actually, that it forced traders to question the wisdom continuing to buy bonds with rates already close to all-time lows when the global economy could conceivably get a massive and immediate second wind due to a trade deal.



With that, rates have entered an excruciatingly indecisive pattern over the past several months. At first, every little trade-related headline/tweet caused traders to rush to the other end of the field. Trade talks scheduled? Sell bonds! Trade talks fruitless? Buy bonds! Trade deal not likely until such and such date? Buy bonds! Trade deal actually going better than the last headline said? Sell bonds! And so on...

By the end of October and for much of November, rates appeared less and less willing to react to these back-and-forth trade updates, but they seemed to reserve the right to react quite a lot to certain examples. While this may be frustrating and confusing at first glance, it's actually pretty simple. The market's reaction to the trade war was never about the headlines themselves, but rather, the actual economic implications of the headlines. Vague, general, qualitative trade war tweets/headlines are less and less likely to move the needle. But if Trump tweets about a new, specific, quantitative change, markets are still very willing to react.

Ultimately though, it will be the **ACTUAL** impact on the global economy that sets the tone for financial markets. Between now and then, both stocks and bonds can only really guess as to what that will look like. The only safe bet is that dry ink on any meaningful trade agreement will lead traders to guess that rates should be higher than they are right now. Fortunately, most of the market is assuming that some sort of deal will eventually happen (and that's why rates aren't well into all-time lows right now), but there is plenty of pain left for confirmation of a deal, when and if it comes.

© 2026 MBS Live, LLC. - This newsletter is a service of MarketNewsletters.com.

The interest rates provided in this newsletter are national averages from independent data sources. Rate/APR terms may differ from those listed above based on the creditworthiness of the borrower. All information provided "as is" for informational purposes only, not intended for trading purposes or financial advice.

Read or subscribe to my newsletter online at: http://housingnewsletters.com/dunnettmortgage

Perhaps the most insidious aspect of trade war hyper-focus is that it causes markets to question the relevance of other economic data. The few big ticket economic reports that reliably push rates higher and lower are still able to push rates higher and lower, but not as well as they used to. Sometimes we even see markets go in the opposite direction to that suggested by the economic data simply because a trade-related headline had a bigger impact around the same time of day. As frustrating as that may be, **it stands to reason**. After all, the economic difference between a healthy US/China trade relationship and a nonexistent one is massive.

Does this mean we don't need to be concerned at all with econ data until after the trade stuff is figured out? Not exactly. Again, it will still have an impact if it's the right report and if it falls far enough from expectations. Rather, we should simply **be prepared to see less of a reaction** than normal to traditionally important market movers (such as tomorrow's jobs report!).

The **bottom line** for this little 2019 trade war year in review is this: the importance of the trade war--past, present, and future--**cannot be overstated**. While some headlines may be ignored, the right headlines can still rock the market. More importantly, it's going to be hard for bonds/rates to go anywhere very quickly without a better idea of how the trade deal is coming together (or not). Just be sure your understanding of "not going anywhere" is on the appropriate scale. To the bond market, half a percentage point over 5 months is a very narrow range, but on the average mortgage, it's roughly $100 per month.

Subscribe to my newsletter online at: http://housingnewsletters.com/dunnettmortgage

Recent Economic Data

Date	Event	Actual	Forecast	Prior
Monday, Dec 02				
10:00AM	Nov ISM Manufacturing PMI	48.1	49.2	48.3
10:00AM	Oct Construction spending (%)	-0.8	0.4	0.5
Wednesday, Dec 04				
7:00AM	w/e MBA Purchase Index	269.4		267.1
7:00AM	w/e Mortgage Refinance Index	1925.7		2282.2
8:15AM	Nov ADP National Employment (k)	67	140	125
10:00AM	Nov ISM N-Mfg PMI	53.9	54.5	54.7
Thursday, Dec 05				
8:30AM	w/e Jobless Claims (k)	203	211	213
10:00AM	Oct Factory orders mm (%)	0.3	0.3	-0.6
Friday, Dec 06				
8:30AM	Nov Non-farm payrolls (k)	266	180	128
8:30AM	Nov Unemployment rate mm (%)	3.5	3.6	3.6
10:00AM	Dec Consumer Sentiment	99.2	97.0	96.8
10:00AM	Oct Wholesale inventories mm (%)	0.1	0.2	0.2
Monday, Dec 09				
1:00PM	3-Yr Note Auction (bl)	38		
Wednesday, Dec 11				
7:00AM	w/e Mortgage Refinance Index	2094.1		1925.7
7:00AM	w/e MBA Purchase Index	268.3		269.4

Event Importance:

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

© 2026 MBS Live, LLC. - This newsletter is a service of MarketNewsletters.com.

The interest rates provided in this newsletter are national averages from independent data sources. Rate/APR terms may differ from those listed above based on the creditworthiness of the borrower. All information provided "as is" for informational purposes only, not intended for trading purposes or financial advice.

Read or subscribe to my newsletter online at: http://housingnewsletters.com/dunnettmortgage

Date	Event	Actual	Forecast	Prior
8:30AM	Nov Core CPI (Annual) (%)	2.3	2.3	2.3
2:00PM	N/A FOMC rate decision (%)	1.500 - 1.750	1.625	1.625
Thursday, Dec 12				
8:30AM	Nov Core Producer Prices YY (%)	1.3	1.6	1.6
Friday, Dec 13				
8:30AM	Nov Import prices mm (%)	0.2	0.2	-0.5
8:30AM	Nov Retail Sales (%)	0.2	0.5	0.3
10:00AM	Oct Business Inventories (%)	0.2	0.2	0.0
Wednesday, Jan 08				
1:00PM	10-yr Note Auction (bl)	24		
Thursday, Jan 09				
1:00PM	30-Yr Bond Auction (bl)	16		

© 2026 MBS Live, LLC. - This newsletter is a service of MarketNewsletters.com.

The interest rates provided in this newsletter are national averages from independent data sources. Rate/APR terms may differ from those listed above based on the creditworthiness of the borrower. All information provided "as is" for informational purposes only, not intended for trading purposes or financial advice.

Read or subscribe to my newsletter online at: http://housingnewsletters.com/dunnettmortgage