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The Trade Deal Just Made Your Mortgage Rate Higher, But There's a Catch

It would have been hard to make it through this week without hearing about Friday's trade deal progress, but how does it affect you? At face value, a healthy trade partnership is good for the global economy, but if you need a mortgage any time soon, the trade deal just pushed your rate **higher**.

Rates actually began moving higher on Wednesday, but Thursday and Friday were **especially** abrupt as financial markets hurried to get in position for a potential US/China trade announcement.

Why hurry now? Because this week was the first time China's top trade negotiator met with US negotiators at the White House since May. Inside sources suggested this would result in at least some sort of progress being announced, even if it was far from a finalized deal. That's exactly what happened.

This is actually where the "catch" in the headline comes in. Yes, the trade news hurt rates, **but** rates were **only** in a position to be hurt because trade news accounts for **so much** of 2019's impressive **drop** in rates.

Here's how that works: tariffs and trade fears damaged business confidence and contributed to a global manufacturing recession. Downbeat economic data led investors to put more money into safer havens like the bond market. When demand for bonds increases, rates fall.

With that in mind, anything that happens to **push back** on trade-related uncertainty would logically be **bad** for rates. This was painfully obvious for anyone who watched mortgage rates move up abruptly by the end of the week, but not so obvious for anyone who read rate coverage based on Freddie Mac's weekly mortgage rate survey.

Long story short, Freddie's survey mainly reflects Monday and Tuesday rates. So when there's a big move in the 2nd half of the week, the survey can be way off by the time it comes out on Thursday.

National Average Mortgage Rates



| | Rate | Change | Points |
|--|------|--------|--------|
|--|------|--------|--------|

Mortgage News Daily

| | | | |
|--------------|-------|--------------|------|
| 30 Yr. Fixed | 6.43% | +0.02 | 0.00 |
| 15 Yr. Fixed | 5.95% | 0.00 | 0.00 |
| 30 Yr. FHA | 5.82% | +0.02 | 0.00 |
| 30 Yr. Jumbo | 6.62% | 0.00 | 0.00 |
| 5/1 ARM | 6.28% | -0.01 | 0.00 |

Freddie Mac

| | | | |
|--------------|-------|--------------|------|
| 30 Yr. Fixed | 6.35% | -0.51 | 0.00 |
| 15 Yr. Fixed | 5.51% | -0.65 | 0.00 |

Rates as of: 8/30

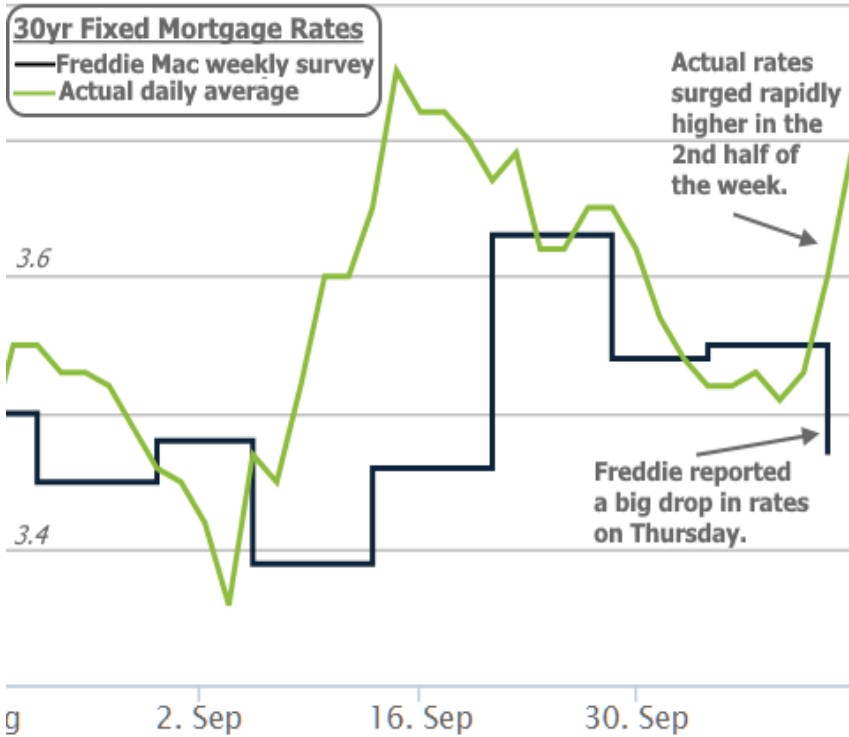
Market Data

| | Price / Yield | Change |
|----------------|---------------|----------------|
| MBS UMBS 5.0 | 99.35 | -0.16 |
| MBS GNMA 5.0 | 99.91 | -0.04 |
| 10 YR Treasury | 3.9039 | +0.0424 |
| 30 YR Treasury | 4.1932 | +0.0468 |

Pricing as of: 8/30 5:59PM EST

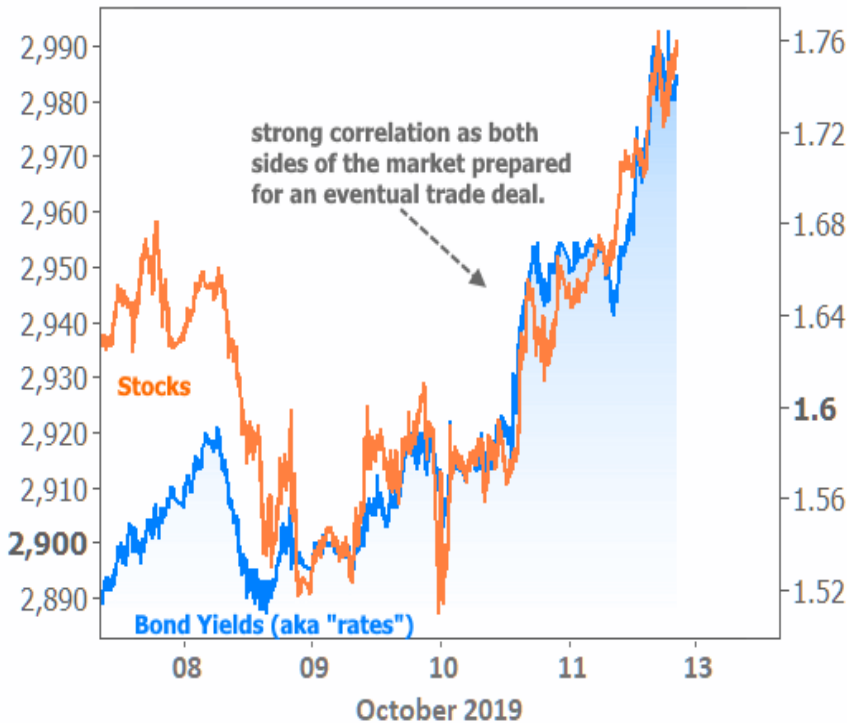
Recent Housing Data

| | | Value | Change |
|---------------------|--------|-------|---------|
| Mortgage Apps | Aug 28 | 226.9 | +0.49% |
| 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% |



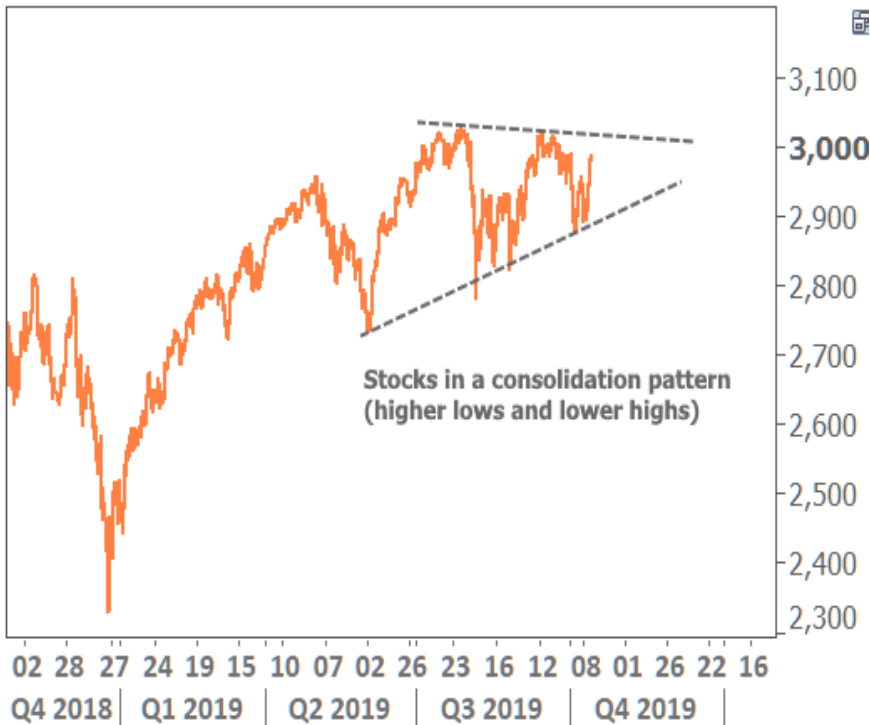
The broader financial market confirms the timing of the volatility, with almost all the drama arriving on Thursday and Friday (the only 2 days that aren't included in Freddie's survey).

Rates vs Stocks



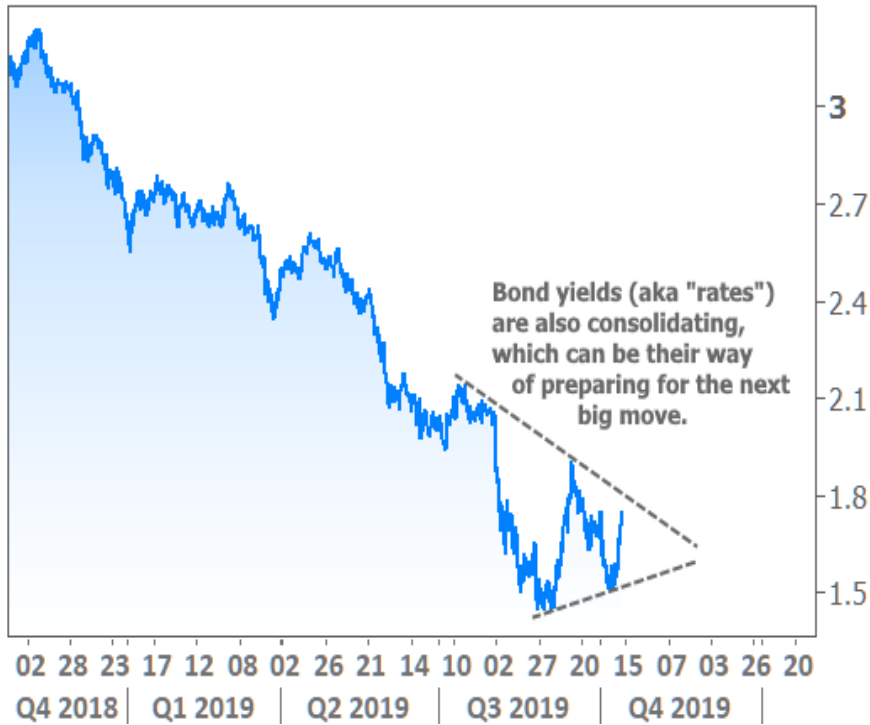
When we examine each of the lines above in a much broader context, we can see a lot of uncertainty. One of the ways markets express that is with a **consolidation pattern**, which is just a fancy way of saying that a chart is making higher lows and lower highs. In other words, the trading range is narrowing.

Stocks



There's no universal rule as to what happens next after a consolidation pattern. Sometimes, a consolidation is merely a reflection of uncertainty that's followed by... **more uncertainty**. More of than not, however, they suggest **bigger moves ahead**. In other words, there's a slightly higher chance that rates will be back on the move after exiting this pattern.

Bonds



The direction of the move depends first and foremost on the **state of economy** (weaker economy = lower rates, stronger economy = higher rates). With that in mind, next week is fairly sparse as far as economic reports are concerned. The Retail Sales data on Wednesday will be the only heavy hitter on the data front.

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

Recent Economic Data

| Date | Event | Actual | Forecast | Prior |
|--------------------------|----------------------------------|--------|----------|--------|
| Monday, Oct 07 | | | | |
| 3:00PM | Aug Consumer credit (bl) | 17.90 | 15.25 | 23.29 |
| Tuesday, Oct 08 | | | | |
| 8:30AM | Sep Core Producer Prices YY (%) | +2.0 | 2.3 | 2.3 |
| 1:00PM | 3-Yr Note Auction (bl) | 38 | | |
| Wednesday, Oct 09 | | | | |
| 7:00AM | w/e MBA Purchase Index | 252.2 | | 263.8 |
| 7:00AM | w/e Mortgage Refinance Index | 2418.1 | | 2202.6 |
| 10:00AM | Aug Wholesale inventories mm (%) | 0.2 | 0.4 | 0.4 |
| 1:00PM | 10-yr Note Auction (bl) | 24 | | |
| 2:00PM | FOMC Minutes | | | |
| Thursday, Oct 10 | | | | |
| 8:30AM | Sep Core CPI (Annual) (%) | 2.4 | 2.4 | 2.4 |
| 8:30AM | w/e Jobless Claims (k) | 210 | 214 | 219 |
| 1:00PM | 30-Yr Bond Auction (bl) | 16 | | |
| Friday, Oct 11 | | | | |
| 8:30AM | Sep Import prices mm (%) | 0.2 | 0.0 | -0.5 |
| 8:30AM | Sep Export prices mm (%) | -0.2 | 0.0 | -0.6 |
| 10:00AM | Oct Consumer Sentiment | 96.0 | 92.0 | 93.2 |
| Monday, Oct 14 | | | | |
| 12:00AM | Columbus Day | | | |
| Tuesday, Oct 15 | | | | |
| 8:30AM | Oct NY Fed Manufacturing | | 1.00 | 2.00 |
| Wednesday, Oct 16 | | | | |
| 7:00AM | w/e MBA Purchase Index | 250.6 | | 252.2 |
| 7:00AM | w/e Mortgage Refinance Index | 2505.8 | | 2418.1 |
| 8:30AM | Sep Retail Sales (%) | -0.3 | 0.3 | 0.4 |
| 10:00AM | Oct NAHB housing market indx | 71 | 68 | 68 |
| 10:00AM | Aug Business Inventories (%) | 0.0 | 0.2 | 0.4 |
| Thursday, Oct 17 | | | | |
| 8:30AM | Sep House starts mm: change (%) | -9.4 | | 12.3 |
| 8:30AM | Sep Build permits: change mm (%) | -2.7 | | 8.2 |

Event Importance:

No Stars = Insignificant

☆ Low

★ Moderate

★★ Important

★★★ Very Important

| Date | Event | Actual | Forecast | Prior |
|-----------------------|-----------------------------------|--------|----------|-------|
| 8:30AM | Sep Housing starts number mm (ml) | 1.256 | 1.320 | 1.364 |
| 8:30AM | Sep Building permits: number (ml) | 1.387 | 1.350 | 1.425 |
| 8:30AM | Oct Philly Fed Business Index | 5.6 | 8.0 | 12.0 |
| 8:30AM | w/e Jobless Claims (k) | 214 | 215 | 210 |
| 9:15AM | Sep Industrial Production (%) | -0.4 | -0.1 | 0.6 |
| Friday, Oct 18 | | | | |
| 10:00AM | Sep Leading index chg mm (%) | -0.1 | 0.1 | -0.3 |