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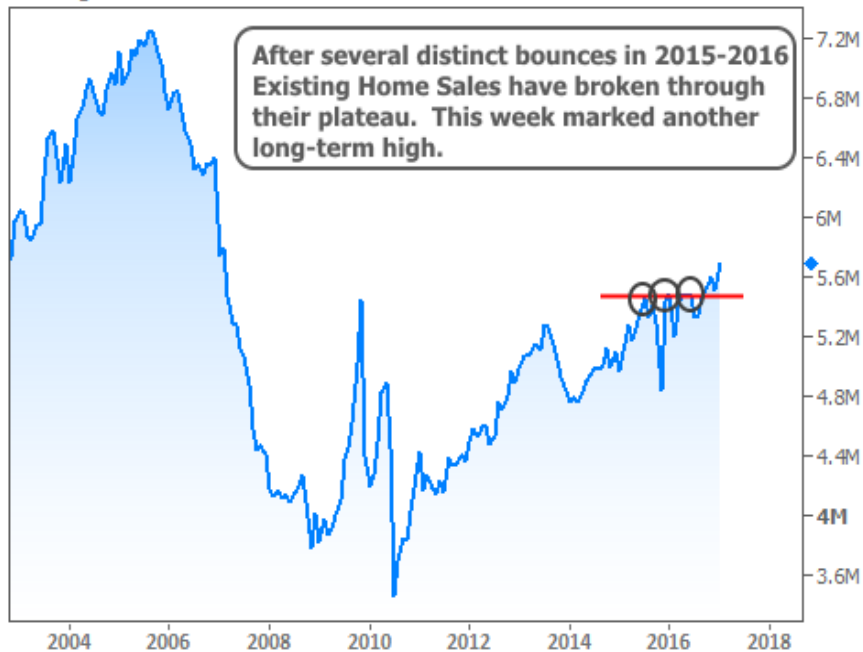
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## Housing Market Resilience Defying The Odds

Given an ongoing plateau in home sales figures in 2015-2016, many housing economists thought the late 2016 rate spike would cement a slow-down for the housing market. Although purchase applications definitely took a hit at first, sales metrics have come roaring back.

Nowhere has this been more apparent than in Existing Home Sales, which hit another near-decade-long high this week. Granted, we haven't returned to 2004-2006 levels, but some would say that's a good thing as the current annual pace of 5.69 mln homes is more sustainable.

Existing Home Sales



New Home Sales haven't hit new highs for several months, but the positive trend remains very much intact. They improved this week to an annual pace of 555k vs 535k previously.

## National Average Mortgage Rates



	Rate	Change	Points
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**Mortgage News Daily**

30 Yr. Fixed	7.07%	+0.02	0.00
15 Yr. Fixed	6.45%	0.00	0.00
30 Yr. FHA	6.51%	+0.02	0.00
30 Yr. Jumbo	7.26%	0.00	0.00
5/1 ARM	7.02%	-0.01	0.00

**Freddie Mac**

30 Yr. Fixed	6.86%	-0.01	0.00
15 Yr. Fixed	6.16%	+0.03	0.00

Rates as of: 6/28

## Market Data

	Price / Yield	Change
MBS UMBS 5.5	98.49	-0.45
MBS GNMA 5.5	99.10	-0.44
10 YR Treasury	4.4069	+0.0089
30 YR Treasury	4.5712	+0.0072

Pricing as of: 7/1 6:44AM EST

## Recent Housing Data

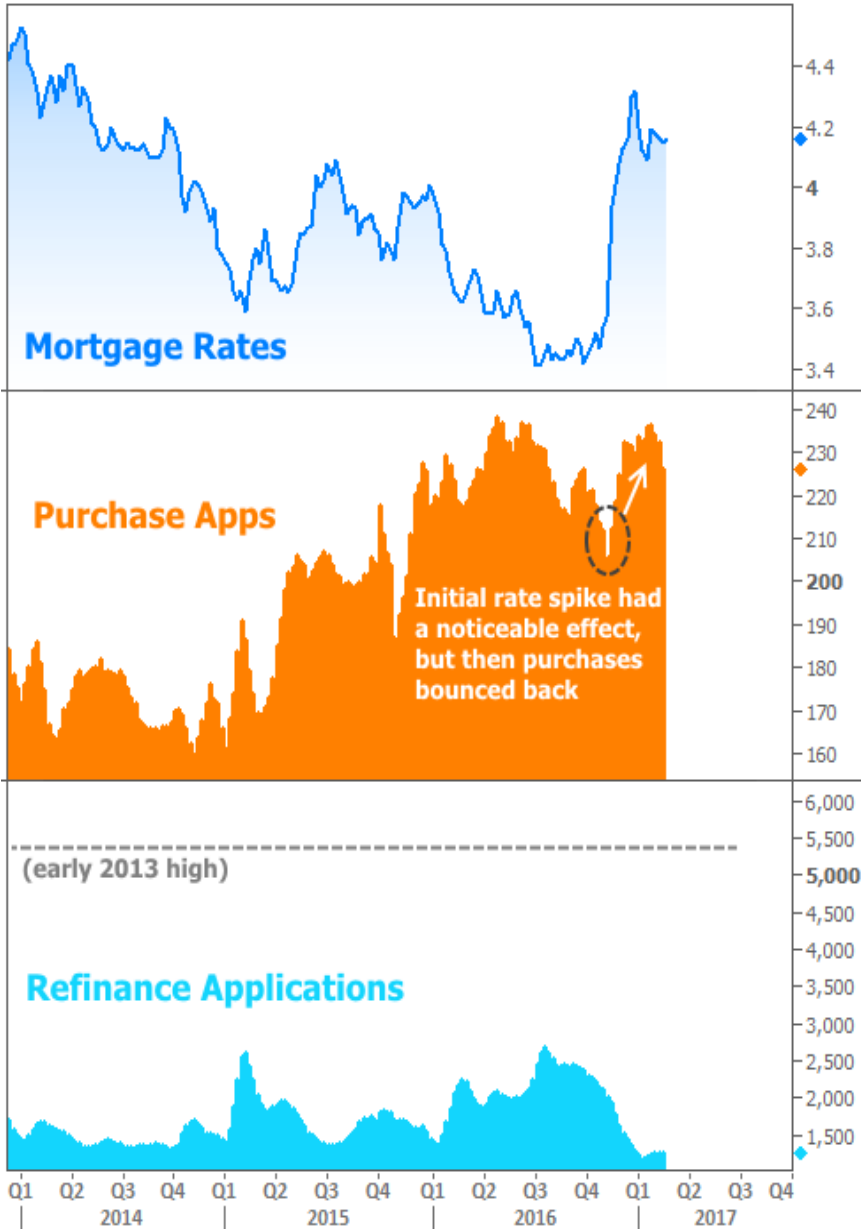
	Value	Change
Mortgage Apps	Jun 12 208.5	+15.58%
Building Permits	Mar 1.46M	-3.95%
Housing Starts	Mar 1.32M	-13.15%
New Home Sales	Mar 693K	+4.68%
Pending Home Sales	Feb 75.6	+1.75%
Existing Home Sales	Feb 3.97M	-0.75%
Builder Confidence	Mar 51	+6.25%

New Home Sales



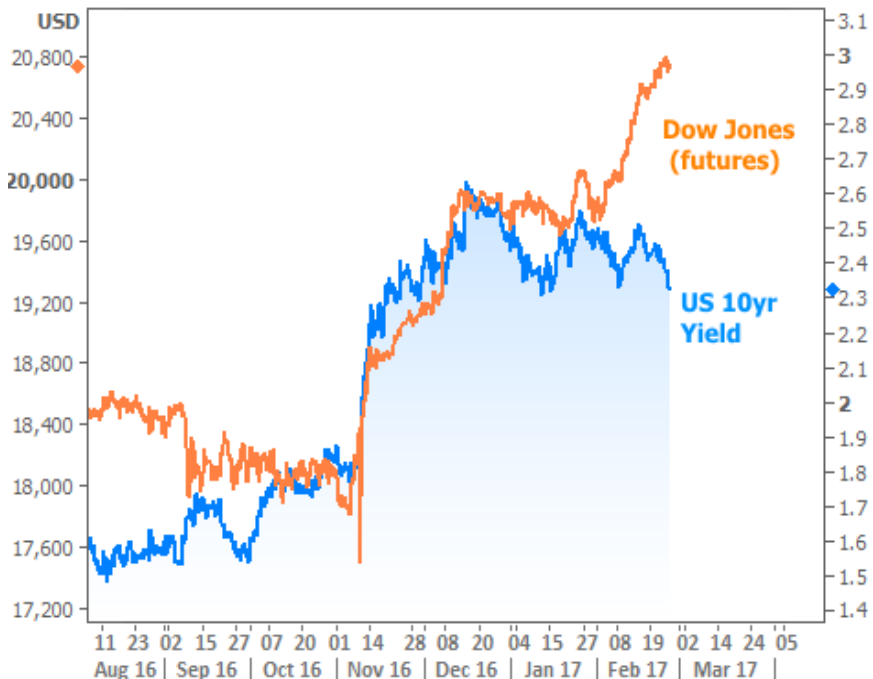
Perhaps just as heartening (or disheartening, depending on your position) is the current level of **price appreciation** seen in home sales figures as well as dedicated home price reports. Median prices in January rose **7.1 percent** for existing homes and **7.4 percent** for New Homes. In [separate data](#), the FHFA (which oversees Fannie and Freddie) reported a 6.2 percent annual rate of appreciation at the end of 2016, citing tight inventory as a key factor.

Forward-Looking indicators suggest the sales trends should remain in pretty good shape. While the Mortgage Bankers Association reported a [decline in applications](#) this week, **purchase apps** are still in pretty strong territory relative to the recent post-rate-spike lows. Refi applications have already taken the brunt of their expected damage and continue bouncing along their typical long-term lows.



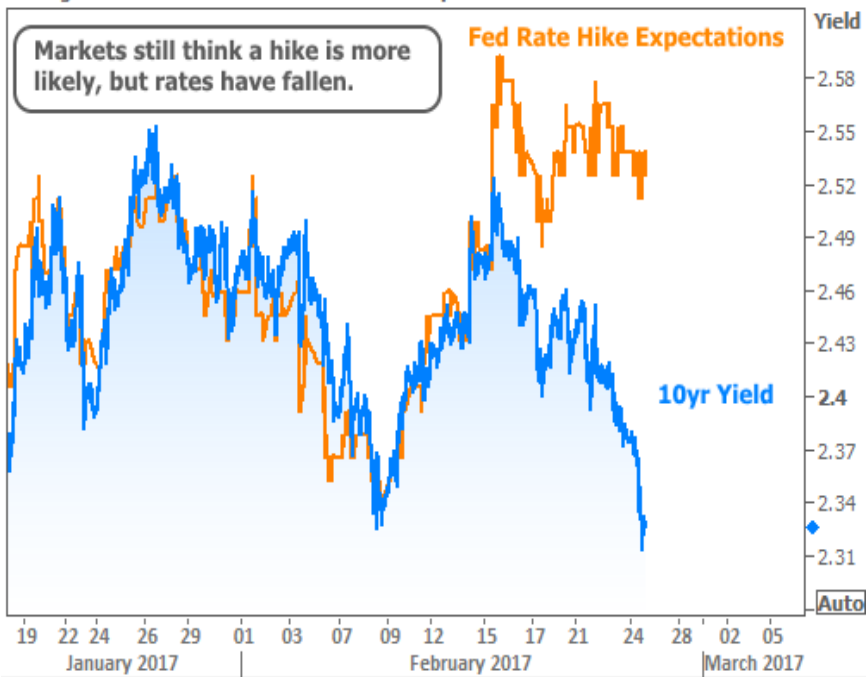
If the resilience in housing metrics wasn't encouraging enough, this week also saw **emerging resilience in interest rates**--a phenomenon made all the more interesting by the fact that rates have diverged from other indicators like stocks. In the post-election time-frame, rates and stocks had generally been moving together until this month.

Stocks vs Bonds



While it's tempting to chalk this divergence up to "earnings season" (something that occasionally accounts for stocks marching to their own beat), we have just as much evidence of rates marching to **their** own beat. Case in point, 10yr yields (a good proxy for mortgage rate momentum) have **broken away** from their strong correlation with Fed rate hike expectations.

Divergence Between Bonds and Rate Hike Expectations



**What does this mean for you?** Quite simply, rates are in a consolidation pattern. The highs are getting lower and the lows are holding steady. Such patterns are not uncommon after the sort of rate spike seen at the end of 2016. We'll explore the historical implications of a breakout as soon as it happens, but until then, it makes more sense to expect rates to bounce when they approach recent highs or lows.

US 10yr Yield



Next week brings a **hefty slate** of scheduled economic data and potential market-movers. Note that the big jobs report is postponed from its typical "first Friday of the month" time slot and will instead be out on Friday March 10th.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
<b>Tuesday, Feb 21</b>				
1:00PM	2-Yr Note Auction (bl)	26		
<b>Wednesday, Feb 22</b>				
7:00AM	w/e Mortgage Market Index	371.5		379.0
10:00AM	Jan Existing home sales (ml)	5.69	5.54	5.49
1:00PM	5-Yr Note Auction (bl)	34		
<b>Thursday, Feb 23</b>				
8:30AM	w/e Initial Jobless Claims (k)	244	245	239
9:00AM	Dec Monthly Home Price yy (%)	6.2		6.1
9:00AM	Dec Monthly Home Price mm (%)	0.4		0.5
1:00PM	7-Yr Note Auction (bl)	28		
<b>Friday, Feb 24</b>				
10:00AM	Jan New home sales chg mm (%)	+3.7	6.3	-10.4
10:00AM	Feb U Mich Sentiment Final (ip)	96.3	96.0	95.7
<b>Monday, Feb 27</b>				
8:30AM	Jan Durable goods (%)	+1.8	1.8	-0.5

Event Importance:

No Stars = Insignificant

☆ Low

★ Moderate

★★ Important

★★★ Very Important

Date	Event	Actual	Forecast	Prior
<b>Tuesday, Feb 28</b>				
8:30AM	Q4 GDP Prelim (%)	+1.9	2.1	1.9
9:00AM	Dec CaseShiller 20 yy (%)	+5.6	5.3	5.3
9:45AM	Feb Chicago PMI	57.4	53.0	50.3
10:00AM	Feb Consumer confidence	114.8	111.0	111.8
<b>Wednesday, Mar 01</b>				
7:00AM	w/e Mortgage Market Index	392.9		371.5
8:30AM	Jan Personal income mm (%)	+0.4	0.3	0.3
8:30AM	Jan Consumption, adjusted mm (%)	+0.2	0.3	0.5
8:30AM	Jan Core PCE price index yy (%)	+1.7		1.7
10:00AM	Feb ISM Manufacturing PMI	57.7	56.0	56.0
10:00AM	Jan Construction spending (%)	-1.0	0.6	-0.2
<b>Thursday, Mar 02</b>				
9:45AM	Feb ISM-New York index	731.9		731.3
<b>Friday, Mar 03</b>				
10:00AM	Feb ISM N-Mfg PMI	57.6	56.5	56.5
<b>Wednesday, Apr 05</b>				
2:00PM	FOMC Minutes			

## Real Talk

At The Rate Shop, we're not your average mortgage banker. We specialize in bringing you ridiculously low interest rates that will make you wonder what the other guys are doing. In fact the ONLY objection we ever hear is "your rates sound too good to be true". Well they're not, and here is why...

After 15 years in the retail banking world I was frustrated with the high interest rates that came from that business model. As I looked around at all the bloated layers of management and their expensive salaries and the overhead of running a larger company (think rent costs, employee health and benefit costs, payroll taxes, and on and on) it dawned on me that I was a part of the problem, and the solution, for me at least, was so easy to see.

Start my own mortgage brokerage shop. No expensive executive salaries, no expensive building to pay rent at, no unnecessary employees and all the costs that are associated with that. What happens when you cut out all the fat? You can provide lower rates and lower closing costs. It's simple. Now here is the best part, you still get great service from a local Kansas City Lender. My mission is to let everyone know that low rates and great customer service are NOT mutually exclusive.

Thanks for coming along on this journey where Low Rates meet Great Service. The two do NOT have to be mutually exclusive. It's just a lie that the big box mortgage companies have been telling you for years. Don't believe me? Give me a call or shoot me a text on my personal cell phone today and compare my rates and costs up against any other lender in the country, and be prepared to be blown away.

**Mike Baker**

