



**Mike Baker**

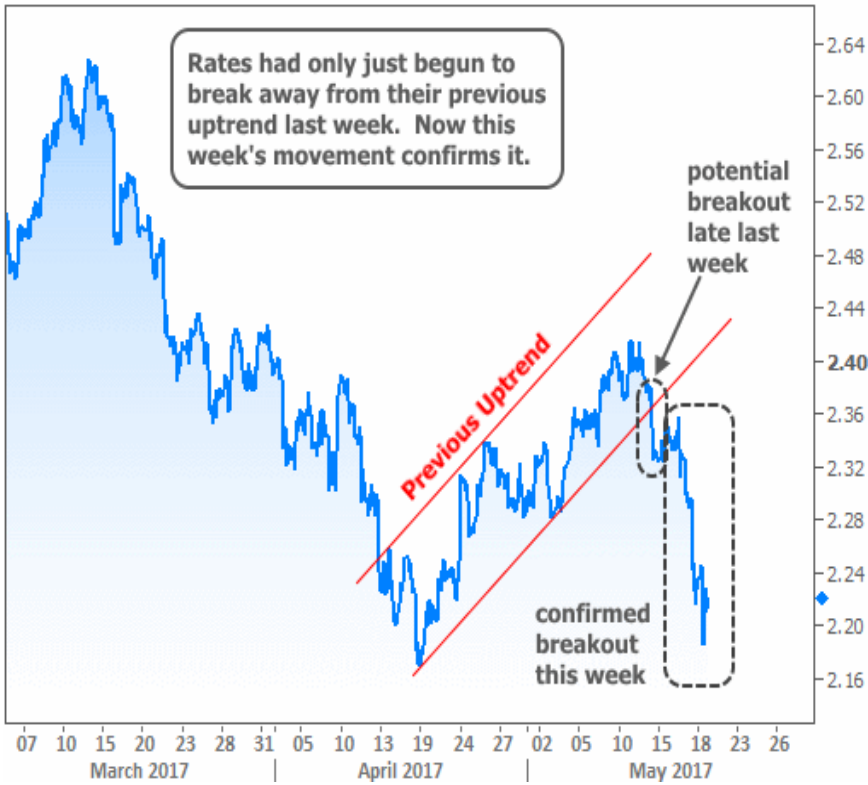
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## Political Headlines Send Rates to 2017 Lows

Last week, mortgage rates were just beginning to break the upward trend that's been in place since mid-April. Without much on the event calendar, it was unclear what this week would do to confirm the breakout. Unexpected political headlines **quickly** became the focal point, sending shockwaves through the entire financial market and confirming the rate breakout.

10yr Treasury Yield



The headlines in question generally concern potentially inappropriate communications between Trump and former FBI Director Comey, the presence of records to that effect, and the ability of congress to request those records. This led to widespread speculation about impeachment, but the "I" word isn't necessarily **the big news** for investors.

Following the election, stocks and interest rates moved higher on the **promise of fiscal reforms** (especially tax reform). An administration that is embroiled in controversy is seen as less likely to quickly deliver on those promises.

Therefore, it's logical to see stocks and interest rates react by moving lower in concert. This correlation is also common when markets are reacting to unexpected developments in the news (aka "headline risk").

## 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

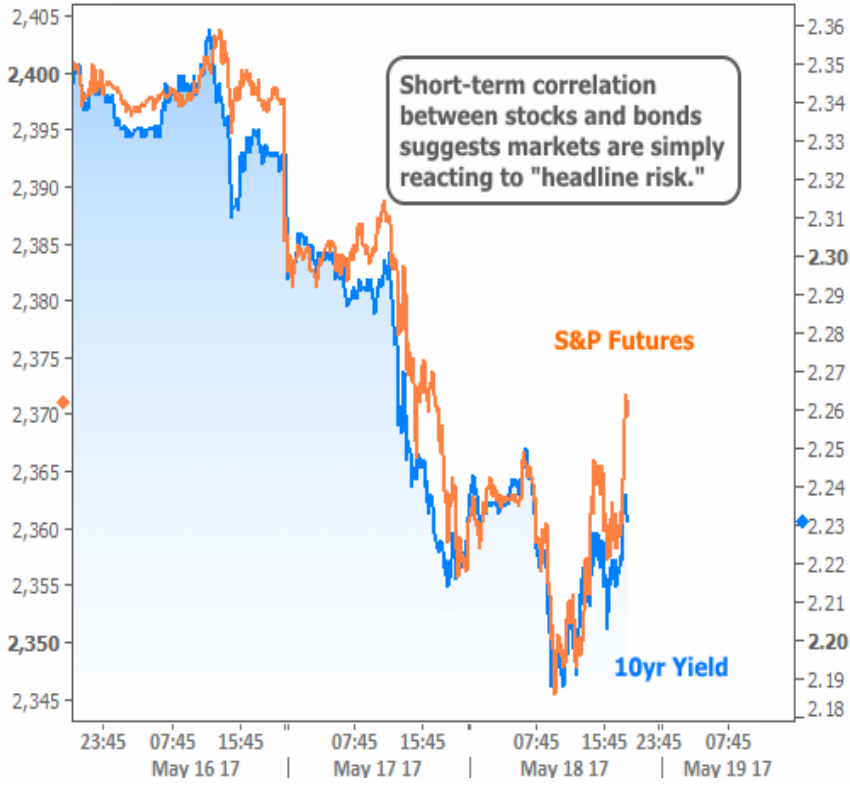
	Price / Yield	Change
MBS UMBS 5.5	98.49	-0.45
MBS GNMA 5.5	99.10	-0.44
10 YR Treasury	4.4089	+0.0109
30 YR Treasury	4.5731	+0.0091

Pricing as of: 7/1 6:46AM EST

## Recent Housing Data

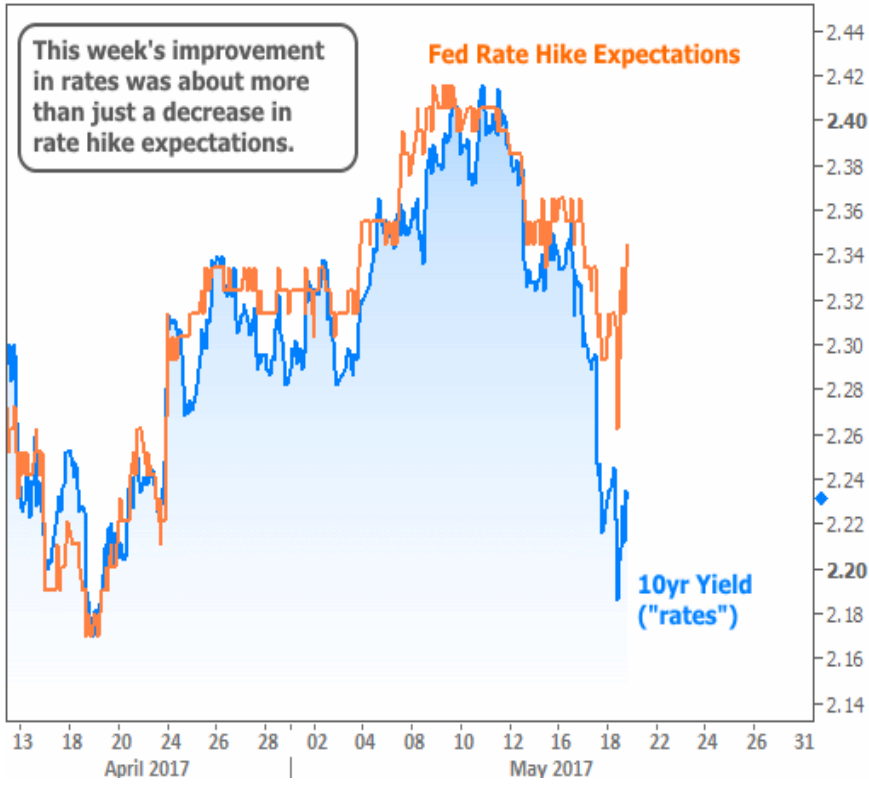
	Value	Change
Mortgage Apps	Jun 12 208.5	+15.58%
Building Permits	Mar 1.46M	-3.95%
Housing Starts	Mar 1.32M	-13.15%
New Home Sales	Mar 693K	+4.68%
Pending Home Sales	Feb 75.6	+1.75%
Existing Home Sales	Feb 3.97M	-0.75%
Builder Confidence	Mar 51	+6.25%

Stocks vs Bonds



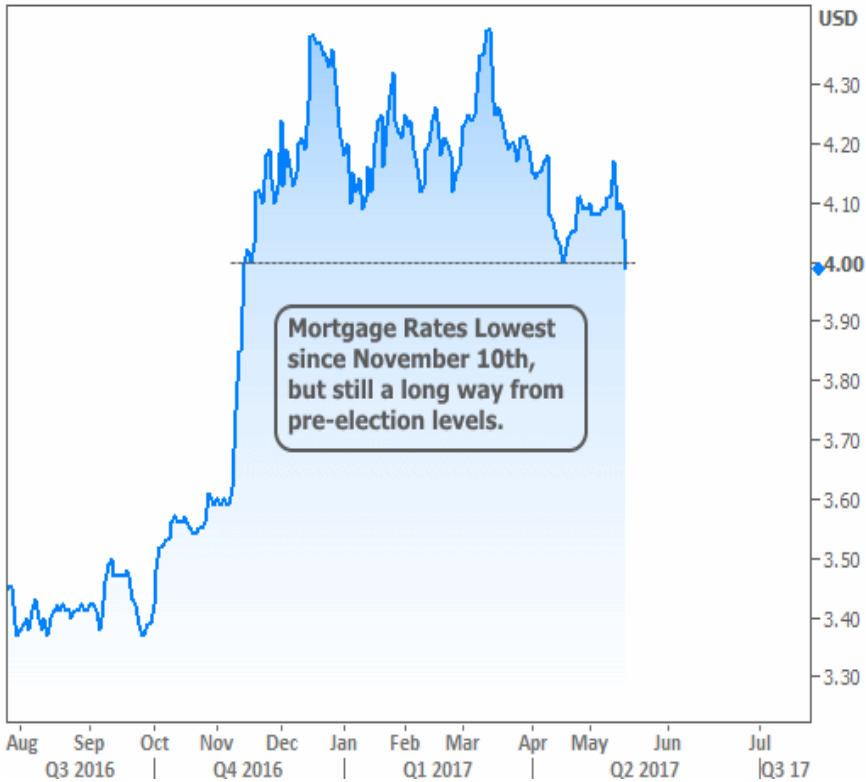
It's worth pointing out that rates **had been** more tied to Fed rate hike expectations in recent weeks. As such, the correlation with stocks represents a bit of a departure from the recent norm. It suggests that bonds (aka "rates") are benefiting as a safe-haven for panicked investors. To whatever extent **new headlines** come out that cause panic to subside, rates are susceptible to a bounce back in line with Fed rate hike expectations.

Fed Hike Expectations vs Rates



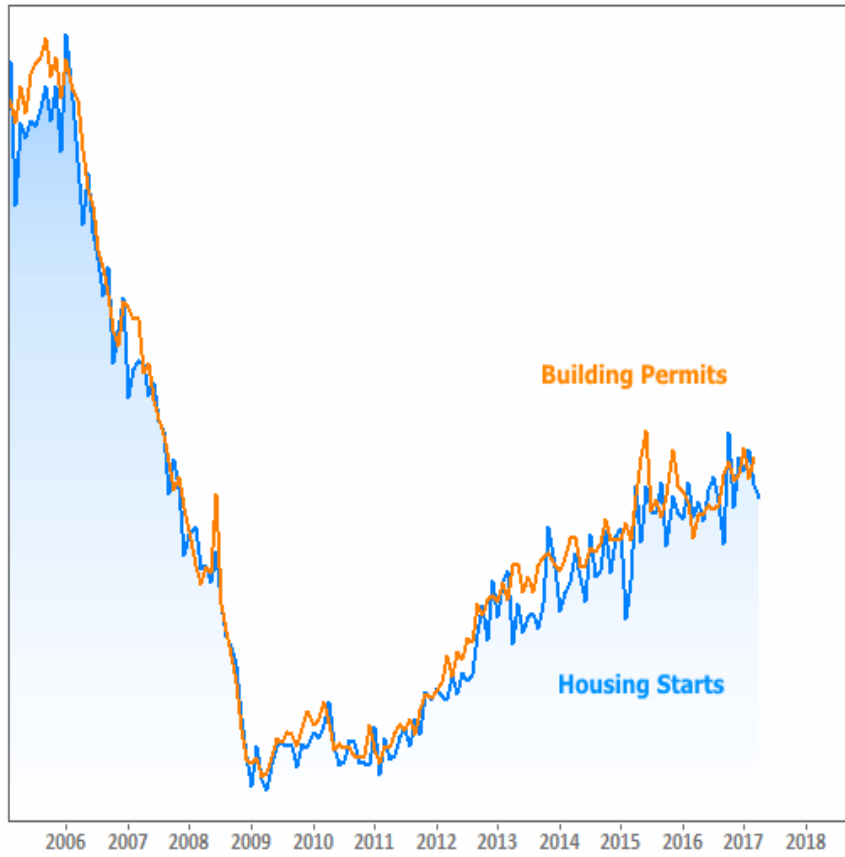
If rates are going to capitalize on this week's momentum, they need to do it **quickly**. The longer they wait, the more these levels (also seen in mid-April) will begin to look like a post-election floor.

Mortgage Rates



In **housing-specific news** this week, economic data was mixed. New Residential Construction was slightly lower than expected, according to the [Census Bureau](#), but the general trends in Housing Starts and Building Permits remain favorable. In a separate report, the National Association of Home Builders' [Housing Market Index](#) **outpaced expectations** to remain near post-recession highs.

Housing Starts and Building Permits Relative to Peak



Housing Market Index



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

## Recent Economic Data

Date	Event	Actual	Forecast	Prior
<b>Monday, May 15</b>				
8:30AM	May NY Fed manufacturing	-1.0	7.00	5.20
<b>Tuesday, May 16</b>				
8:30AM	Apr Housing starts number mm (ml)	1.172	1.260	1.215
8:30AM	Apr Building permits: number (ml)	1.229	1.270	1.267
8:30AM	Apr House starts mm: change (%)	-2.6		-6.8
8:30AM	Apr Build permits: change mm (%)	-2.5		4.2
9:15AM	Apr Industrial Production (%)	+1.0	0.4	0.5
9:15AM	Apr Capacity Utilization (%)	76.7	76.3	76.1
<b>Wednesday, May 17</b>				
7:00AM	w/e Mortgage Market Index	398.8		415.7
7:00AM	w/e MBA Purchase Index	243.6		250.3
7:00AM	w/e Mortgage Refinance Index	1269.1		1345.5
<b>Thursday, May 18</b>				
8:30AM	May Philly Fed Business Index	38.8	19.5	22.0
8:30AM	w/e Initial Jobless Claims (k)	232	239	236
8:30AM	w/e Continued jobless claims (ml)	1.898	1.928	1.918

## Event Importance:

No Stars = Insignificant

☆ Low

★ Moderate

★★ Important

★★★ Very Important

Date	Event	Actual	Forecast	Prior
<b>Tuesday, May 23</b>				
10:00AM	Apr New home sales-units mm (ml)	0.569	0.610	0.621
1:00PM	2-Yr Note Auction (bl)	26		
<b>Wednesday, May 24</b>				
9:00AM	Mar Monthly Home Price mm (%)	0.6		0.8
10:00AM	Apr Existing home sales (ml)	5.57	5.65	5.71
1:00PM	5-Yr Note Auction (bl)	34		
<b>Friday, May 26</b>				
8:30AM	Apr Durable goods (%)	-0.7	-1.2	1.7
8:30AM	Q1 GDP Prelim (%)	+1.2	0.9	0.7
10:00AM	May U Mich Sentiment Final (ip)	97.1	97.5	97.7
2:00PM	Memorial Day			
<b>Tuesday, May 28</b>				
1:00PM	7-Yr Note Auction (bl)	41		

## 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.

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