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2 Very Different Ways to Look at Housing Numbers

This week was chock full of housing data ranging from construction and builder sentiment to the most recent tally on existing home sales. The takeaways can vary depending on your angle of approach. So let's look at all angles!

A key news item came from the New Residential Construction report, which counts building permits and "housing starts" (the breaking of ground on a new home). The headlines essentially wrote themselves as housing starts hit the highest level in **more than a decade**.

New Residential Construction



On the one hand, "highest in more than a decade" sounds impressive. **On the other hand**, considering where we were a decade ago, housing only needed to be "sideways to slightly stronger" to earn the distinction.

Caveats aside, things could certainly be much worse for home building, as can be seen in this week's Housing Market Index from the National Association of Home Builders. Although builder sentiment is down in recent months, it remains in historically high territory.

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

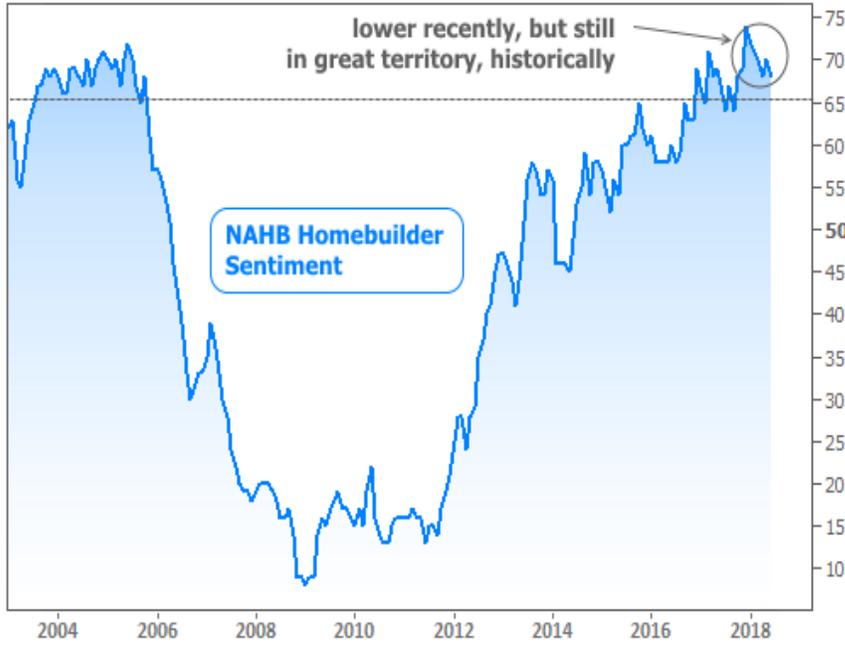
	Price / Yield	Change
MBS UMBS 5.5	98.49	-0.45
MBS GNMA 5.5	99.10	-0.44
10 YR Treasury	4.4069	+0.0089
30 YR Treasury	4.5678	+0.0038

Pricing as of: 7/1 4:52AM 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%

Homebuilder Sentiment



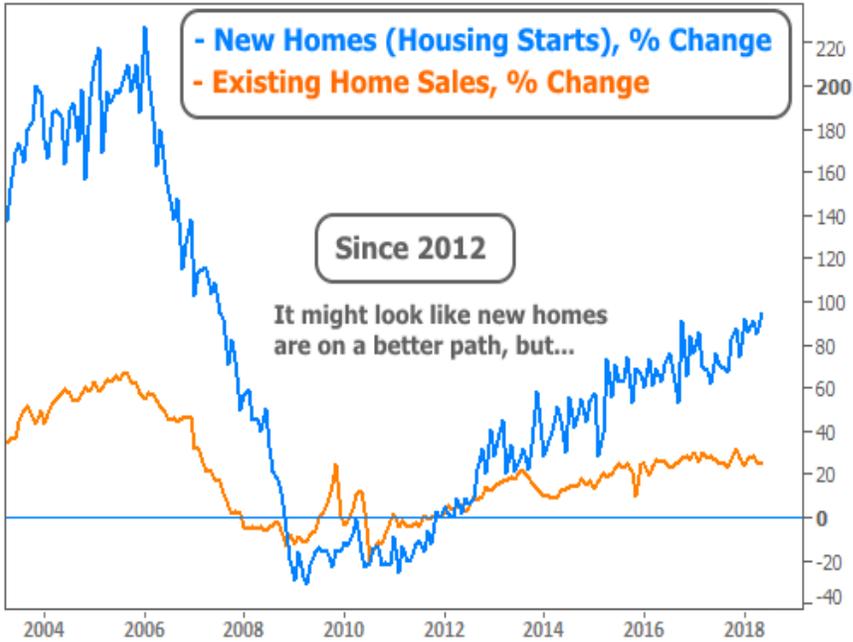
In separate data, the National Association of Realtors released its monthly report on Existing Homes. Sales continue trudging mostly sideways, raising questions about a potential ceiling.

Existing Home Sales



Based on the chart above, it looks like existing home sales aren't doing as well as new construction. We can compare the two more fairly in terms of "percent change." Even then, we can get two different impressions. For instance, with 2012 as a baseline, NEW homes look like the clear winner. But with a baseline of 2006 (before the crisis), new homes just have more catching up to do.

New vs Existing

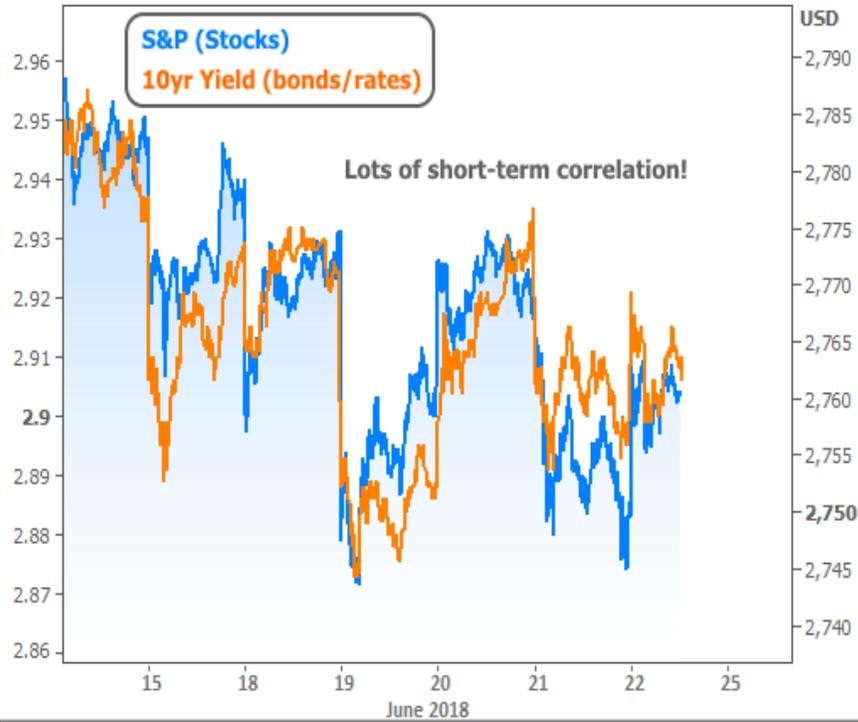


New vs Existing



It's not just housing data that has a tendency to look completely different depending on our vantage point. **Stocks and bonds** are another classic example. Conventional wisdom holds that bond yields (aka "interest rates") and stocks tend to move in the same direction. That was definitely the case this week, as can be seen in the following chart. Over shorter time frames, such a high level of correlation is common, but the long-term charts look very different.

Stocks vs Bonds



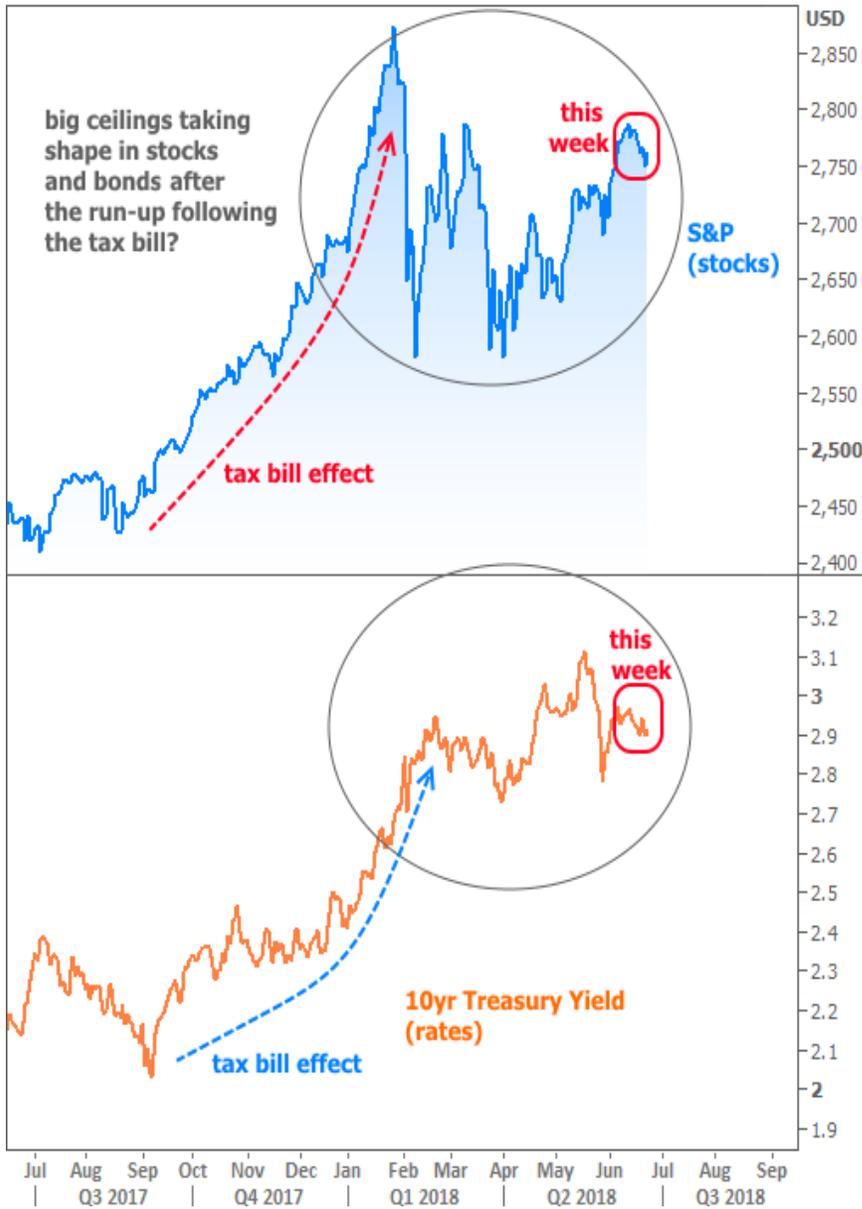
Stocks vs Bonds



While that longer-term chart might seem like it **disproves** the conventional wisdom, it actually contains some clues. For instance, notice that rates (orange line) were generally rising and peaking at the same time as stocks in 2000 and 2007. If we were to zoom in on those time frames and re-scale the chart, we'd begin to see much more correlation.

Some of the market-watchers calling for a recession or a stock correction are seeing the same potential correlation over the past 12 months. It's definitely NOT safe to assume this means a ceiling is in for rates. Rather, the point is that if stocks really are hitting a longer-term ceiling in 2018, the consolation is that rates would likely follow stocks lower.

Stocks and Bonds



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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Monday, Jun 18				
10:00AM	Jun NAHB housing market indx	68	70	70
Tuesday, Jun 19				
8:30AM	May Housing starts number mm (ml)	1.350	1.310	1.287
8:30AM	May Building permits: number (ml)	1.301	1.350	1.364
8:30AM	May Build permits: change mm (%)	-4.6		-0.9
8:30AM	May House starts mm: change (%)	5.0		-3.7

Event Importance:

No Stars = Insignificant

☆ Low

★ Moderate

★★ Important

★★★ Very Important

Date	Event	Actual	Forecast	Prior
Wednesday, Jun 20				
7:00AM	w/e MBA Purchase Index	259.6		249.0
7:00AM	w/e Mortgage Refinance Index	1052.3		992.2
10:00AM	May Existing home sales (ml)	5.43	5.52	5.46
Thursday, Jun 21				
8:30AM	Jun Philly Fed Business Index	19.9	29.0	34.4
8:30AM	w/e Jobless Claims (k)	218	220	218
Monday, Jun 25				
10:00AM	May New home sales chg mm (%)	+6.7	0.7	-1.5
10:00AM	May New home sales-units mm (ml)	0.689	0.667	0.662
Tuesday, Jun 26				
9:00AM	Apr CaseShiller 20 mm nsa (%)	0.8		1.0
10:00AM	Jun Consumer confidence	126.4	128.0	128.0
1:00PM	2-Yr Note Auction (bl)	34		
Wednesday, Jun 27				
7:00AM	w/e MBA Purchase Index	244.3		259.6
7:00AM	w/e Mortgage Refinance Index	1015.9		1052.3
8:30AM	May Durable goods (%)	-0.6	-1.0	-1.6
8:30AM	May Nondefense ex-air (%)	-0.2	0.5	1.0
10:00AM	May Pending Home Sales (%)	-0.5	0.5	-1.3
10:00AM	May Pending Sales Index	105.9		106.4
11:30AM	2-Yr Note Auction (bl)	16		
1:00PM	5-Yr Note Auction (bl)	36		
Thursday, Jun 28				
8:30AM	Q1 GDP Final (%)	+2.0	2.2	2.2
8:30AM	w/e Jobless Claims (k)	227	224	218
1:00PM	7-Yr Note Auction (bl)	30		
Friday, Jun 29				
8:30AM	May Personal Income (%)	+0.4	0.4	0.3
8:30AM	May Consumer Spending (Consumption) (%)	+0.2	0.4	0.6
8:30AM	May Core PCE (y/y) (%)	+2.0	1.9	1.8
9:45AM	Jun Chicago PMI	64.1	60.0	62.7
10:00AM	Jun U Mich 1Yr Inf Final (%)	3.0		2.9
10:00AM	Jun U Mich 5-Yr Inf Final (%)	2.6		2.6
10:00AM	Jun U Mich Sentiment Final (ip)	98.2	99.2	99.3

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

