



Mike Baker

Head Interest Rate Shopper, The Rate Shop
 Individual NMLS: 259076 Company NMLS: 2554765 State
 23211 W 45th St Shawnee, KS 66226

Office: 913-213-3335
 Mobile: 913-213-3335
mike@rateshopkc.com
[View My Website](#)

Big Risks and Opportunities Heading Into The New Year

2018 has been an interesting year to say the least. Stocks hit **all-time highs** and are now in the midst of their **worst** month on record in terms of outright losses. Rates hit their highest levels in at least 7 years but have fallen fairly quickly heading into the end of the year.

The 11th-hour volatility raises **a few big questions** about what's on the horizon. Could rates continue to drop or was this just a temporary diversion? Will stocks regain much of the recently lost territory, or are we merely at the beginning of an even bigger crash?

There are plenty of opinions on both sides of these questions. Only time will tell, but if we assume a bigger stock crash requires decelerating economic growth, we're certainly getting closer with each passing day. Economic cycles may not **die of old age**, but the longer they live, the more time there is for them to discover new reasons for their mortality.

At the very least, we know investors are worrying about it. But we **also** know we **haven't** lost enough ground yet to call this "the big one" definitively. In fact, in percentage terms, current stock losses aren't much worse than those seen in 2016.

National Average Mortgage Rates



	Rate	Change	Points
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

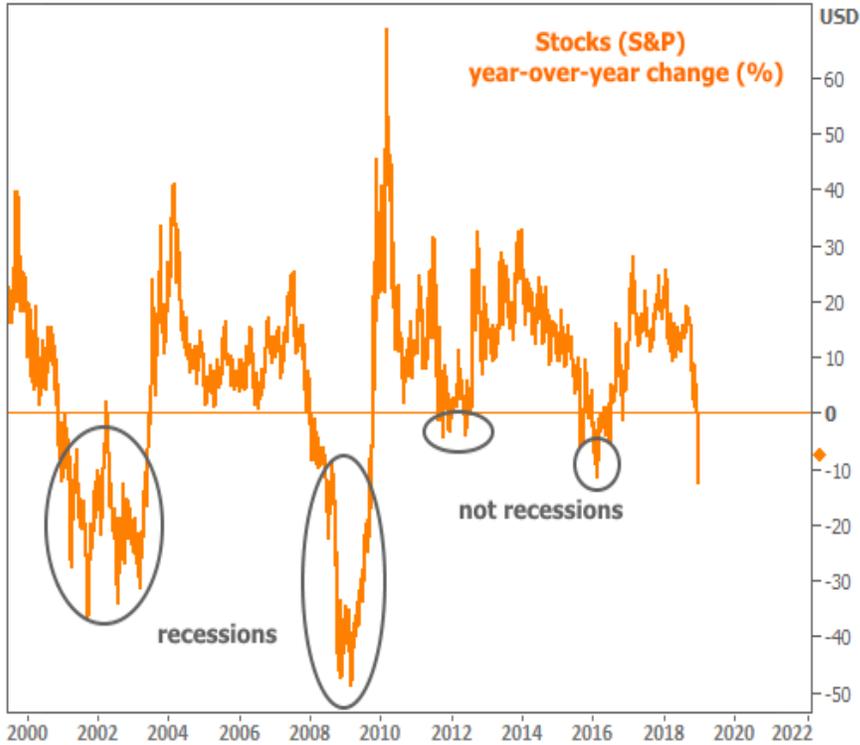
Market Data

	Price / Yield	Change
MBS UMBS 5.5	98.49	-0.45
MBS GNMA 5.5	99.10	-0.44
10 YR Treasury	4.3951	-0.0029
30 YR Treasury	4.5645	+0.0005

Pricing as of: 7/1 2:45AM EST

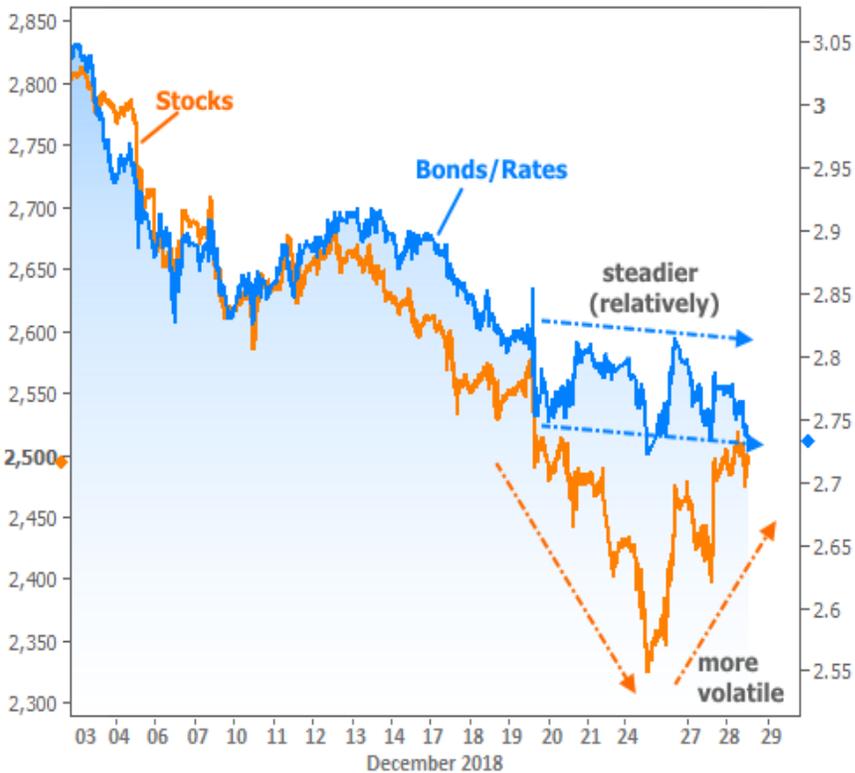
Recent Housing Data

		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%



All that to say there's still a **very real possibility** that stocks stage a miraculous recovery in January. From there, the question would shift to rates, considering much of the recent drop in rates can be traced to stock market volatility.

Fortunately, rates **haven't** been nearly as volatile as stocks in relative terms. This means they've dropped more slowly and been less eager to jump higher when stocks attempt to lead the way. Here's an example of how that played out this week:



The **upcoming week** will be an interesting mix of holiday-related distortions and potentially significant economic data. Like the outgoing week, Monday will be a half day for the bond market and Tuesday will be a full closure (New Years Day instead of Christmas this time around). Then, 2019 begins in earnest as market participation ramps up heading into the big jobs report on Friday.

The jobs report (officially, the "Employment Situation," which provides the nation's official jobs tally as well as the unemployment rate) is **more important than normal** for a few reasons. We know the Fed is considering a slower pace of rate hikes and that it will be using key economic reports in its decision-making process. No other report is more 'key' than this one.

Additionally, while the government shutdown will prevent other reports from being released on time, as far as we know now, the jobs report will not be affected, thus magnifying its relative importance to the week's slate of actionable info. **Even without** the shutdown considerations, the jobs report would already be more important than normal simply due to timing. After all, markets are considering big questions for the new year and this will be the new year's first piece of data that's qualified to comment on those questions.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Wednesday, Dec 26				
9:00AM	Oct CaseShiller 20 yy (%)	+5.0	4.9	5.1
1:00PM	5-Yr Note Auction (bl)	41		
Thursday, Dec 27				
8:30AM	w/e Jobless Claims (k)	216	217	214
9:00AM	Oct Monthly Home Price mm (%)	0.3		0.2
9:00AM	Oct Monthly Home Price yy (%)	+5.7		6.0
10:00AM	Dec Consumer confidence	128.1	133.7	135.7
1:00PM	7-Yr Note Auction (bl)	32		
Thursday, Jan 03				
8:00AM	w/e Mortgage Refinance Index	729.9		816.0
8:00AM	w/e MBA Purchase Index	219.0		236.9
8:15AM	Dec ADP National Employment (k)	271.0	178	179
8:30AM	w/e Jobless Claims (k)	231	220	216
10:00AM	Dec ISM Manufacturing PMI	54.1	57.9	59.3
10:00AM	Nov Construction spending (%)		0.2	-0.1
Friday, Jan 04				
8:30AM	Dec Average earnings mm (%)	+0.4	0.3	0.2
8:30AM	Dec Non-farm payrolls (k)	+312	177	155
8:30AM	Dec Unemployment rate mm (%)	3.9	3.7	3.7

Event Importance:

No Stars = Insignificant

☆ Low

★ Moderate

★★ Important

★★★ Very Important

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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