



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](#)

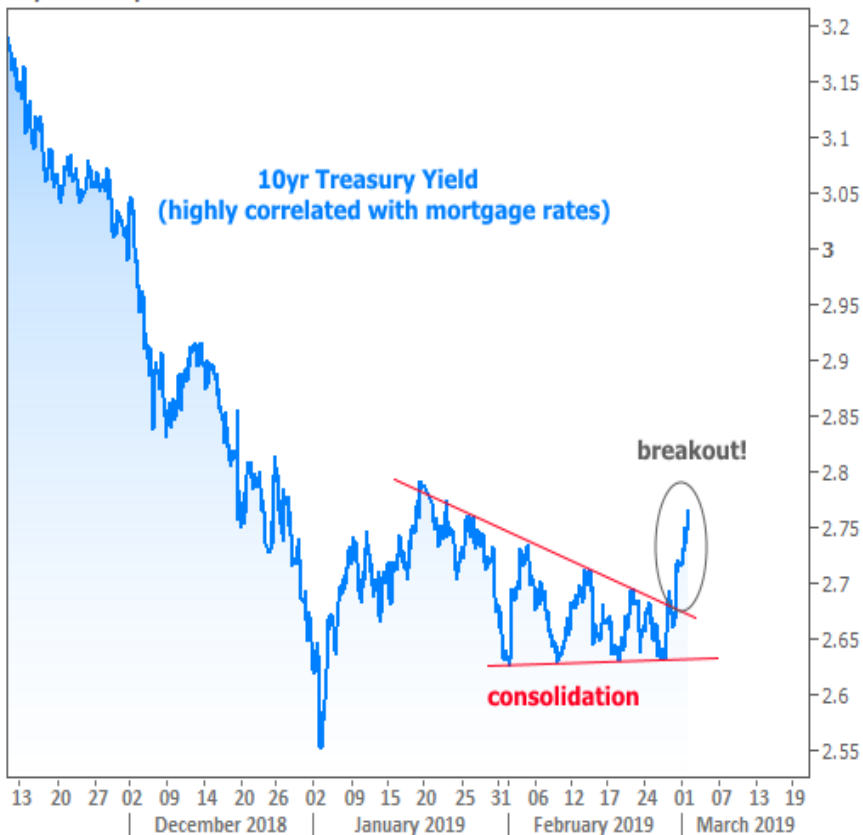
Rates Dropping Fast as Home Sales Bounce Back

The future is always uncertain when it comes to financial markets and interest rate movement, but there are times where a certain series of events seems more likely. For most of 2019, mid-March looked to be one of those times.

The year began with a **sharp move lower** in rates--sharp enough that it wasn't sustainable. Rates rushed to long-term lows on January 3rd and then bounced higher. Fortunately, they found a ceiling shortly thereafter. That ceiling ended up being the top of the sideways range we've been following ever since.

To be fair, it looked to be broken by the end of February based on the following chart from a [previous newsletter](#):

10yr Treasury Yield



But here's what I had to say about it at the time:

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	4.3961	-0.0019
30 YR Treasury	4.5659	+0.0019

Pricing as of: 7/1 2:47AM EST

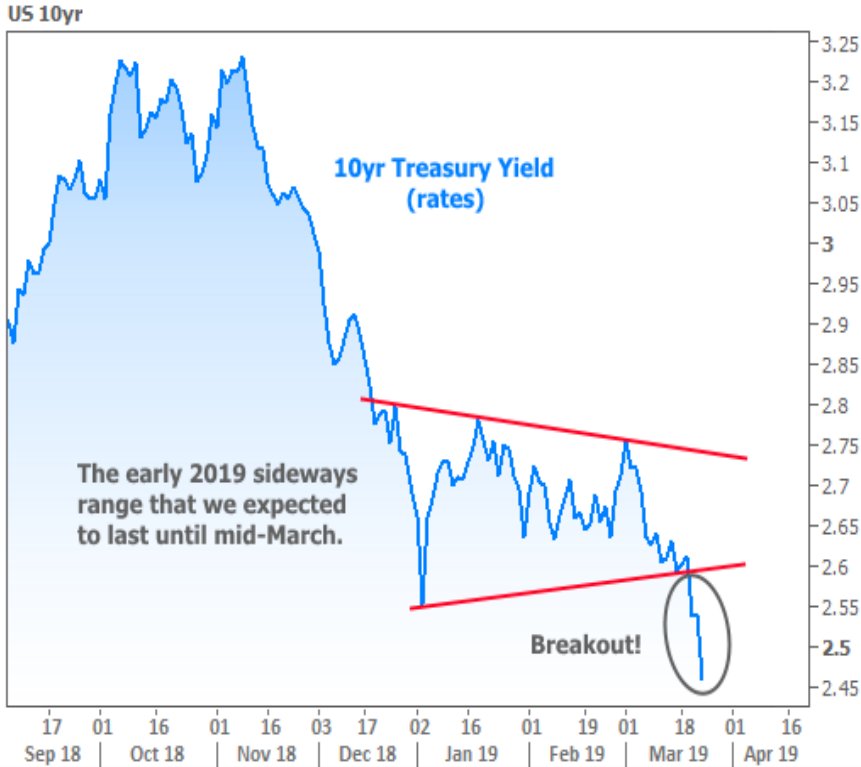
Recent Housing Data

	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%

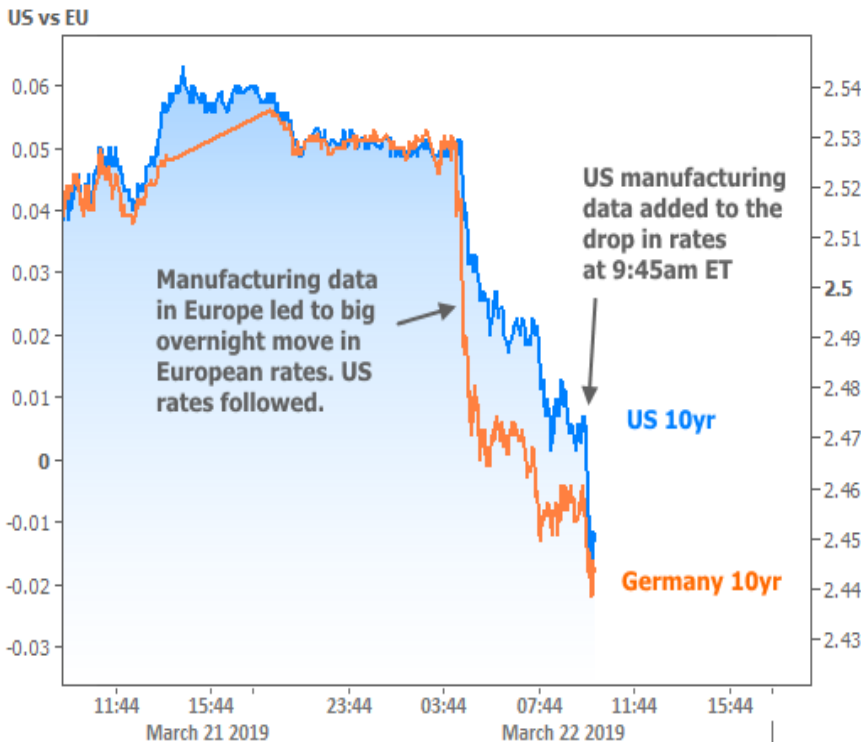
"Is this the end of the road for our nice run of low rates in 2019? It's far too soon to conclude such things. Most traders are looking for the market to make **bigger decisions in mid-March after the next Fed meeting**. Between now and then, rather than plan on rates skyrocketing, a better baseline would be to shift the goalposts to something more horizontal, as seen in the following chart."



Fast forward to this week and it was indeed the Fed Announcement that served as the catalyst for an **actual** breakout. This time around, it's going in our favor.



If you see the little hitch in the blue line in the "breakout" section above, that's as far as the Fed news was able to get us on Wednesday. **The rest of the move** happened Friday on a combination of weak European manufacturing data followed by similarly weak US data.



So is it the Fed or is it manufacturing data? And is it about the US or Europe?

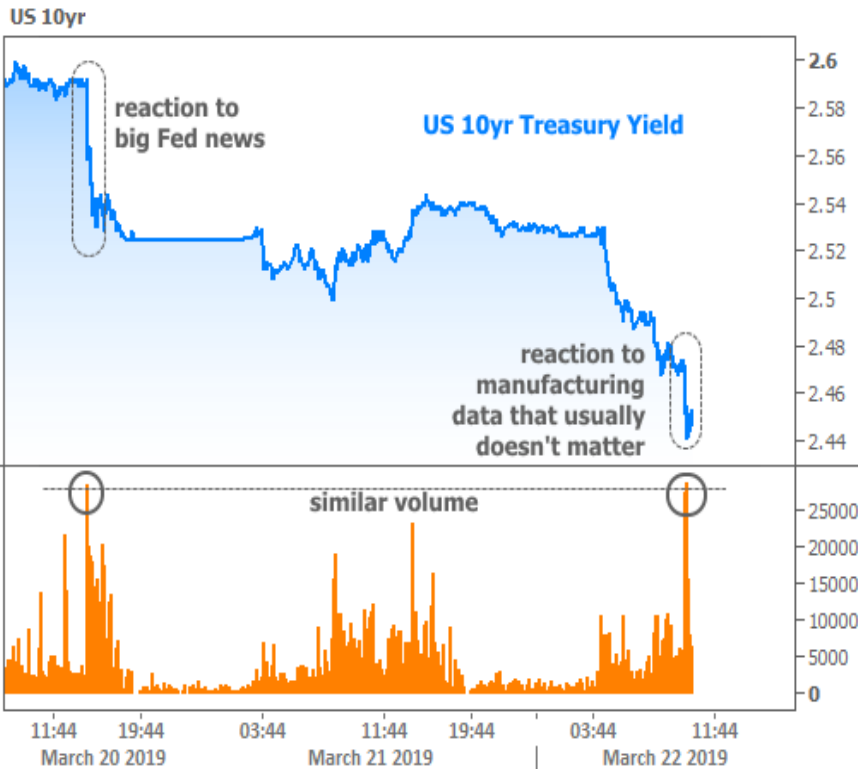
The answer is "yes." The Fed sets policies based on its interpretation of economic data and risks to financial stability. Those policies can have massive impacts on markets, but they're ultimately beholden to the underlying economic realities. When the economy is perceived to be at more risk, the Fed is more likely to enact policies that are friendly for rates.

This week, the Fed surprised markets by announcing that it would stop shrinking its balance sheet (if you really want to dig into the nuts and bolts, [here you go](#)). In plain language, this means the Fed is going to be buying way more bonds in just over a month, and when the Fed buys lots of bonds, it **helps rates move lower**.

The mere **expectation** of such a Fed shift was behind last week's drop in rates, but the actual policy change was **even more aggressive** than markets expected. It was so aggressive that one may wonder just what sorts of red flags the Fed is seeing. Sure, they've **SAID** they're concerned about a potential downturn in Europe with global consequences, but **where's the proof?!**

Then a day a half later, the Eurozone manufacturing data comes out at the lowest levels in years, and European bond yields fall into negative territory. Score one for Fed apprehension. Then the US manufacturing data (highlighted in the chart above) spoke to the "global consequences" just a few hours later.

Bottom line, the Fed's concern is good for rates, and it was vetted by weak EU data and then by similarly weak data in the US. How do we know the US manufacturing data mattered so much to the bond market? Because it produced a volume spike as big as Wednesday's Fed news (which is unheard of for this particular report):



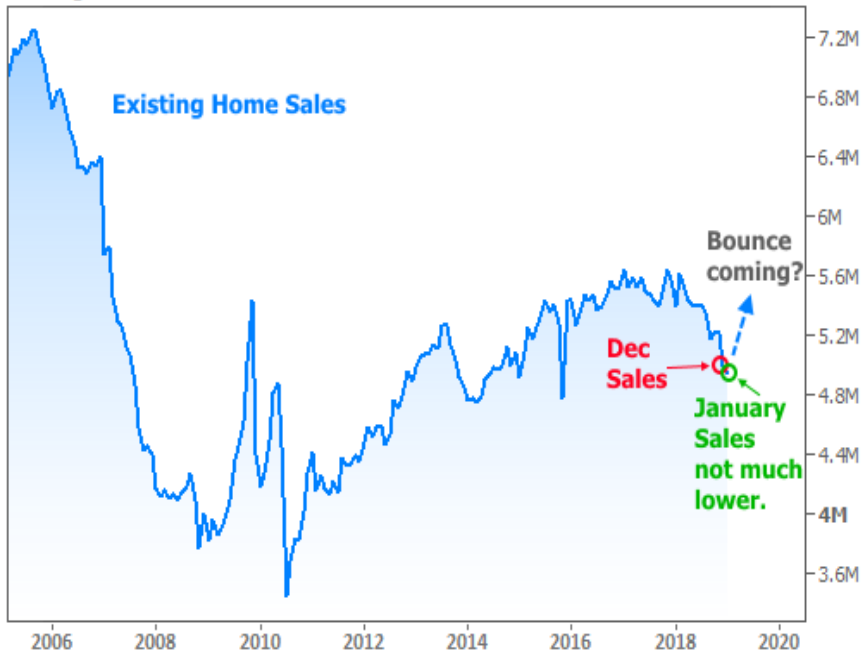
But **not all the economic data was bad** this week. In fact, if we had to choose one economic report to be much stronger, Existing Home Sales would be it! Several recent newsletters have held out the possibility (or even probability) that we'd see something like this in Existing Sales:

[Why 2019 Could Actually be Great For Housing and Mortgage Markets](#)

[Home Sales Bouncing Back](#)

[Why The Housing Market Cares About The Fed](#) (which contained the following chart)

Existing Home Sales



And this is how Existing Sales data looks after this week's installment:

Existing Home Sales



Long story short, all the potential positive cues that looked like they **should** play out for home sales ended up having the expected impact. The fact that this week's data arrives when **mortgage rates are hitting new long-term lows** is just icing on the cake.

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

Recent Economic Data

Date	Event	Actual	Forecast	Prior
Monday, Mar 18				
10:00AM	Mar NAHB housing market indx	62	63	62
Tuesday, Mar 19				
10:00AM	Jan Factory orders mm (%)	0.1	0.3	0.1
Wednesday, Mar 20				
7:00AM	w/e Mortgage Refinance Index	1146.8		1108.3
7:00AM	w/e MBA Purchase Index	251.5		250.8
2:00PM	N/A FOMC rate decision (%)	2.250 - 2.500	2.375	2.375
2:37PM	Powell Press Conference			
Thursday, Mar 21				
8:30AM	Mar Philly Fed Business Index	13.7	4.5	-4.1
8:30AM	w/e Jobless Claims (k)	221	225	229
8:30AM	w/e Continued jobless claims (ml)	1.750	1.772	1.776
10:00AM	Feb Leading index chg mm (%)	0.2	0.1	-0.1
Friday, Mar 22				
10:00AM	Feb Existing home sales (ml)	5.51	5.10	4.94
10:00AM	Feb Exist. home sales % chg (%)	11.8	2.2	-1.2
10:00AM	Feb Factory orders mm (%)	14		0.1
Tuesday, Mar 26				
8:30AM	Feb Build permits: change mm (%)	-1.6		-0.7
8:30AM	Feb Housing starts number mm (ml)	1.162	1.213	1.230
8:30AM	Feb House starts mm: change (%)	-8.7		18.6
8:30AM	Feb Building permits: number (ml)	1.296	1.300	1.317
9:00AM	Jan CaseShiller 20 yy (%)	3.6	4.0	4.2
9:00AM	Jan Monthly Home Price mm (%)	0.6		0.3
10:00AM	Mar Consumer confidence	124.1	132.0	131.4
Wednesday, Mar 27				
1:00PM	5-Yr Note Auction (bl)		41	
Thursday, Mar 28				
8:30AM	Q4 GDP Final (%)	2.2	2.4	2.6
8:30AM	w/e Jobless Claims (k)	211	217	221
8:30AM	w/e Continued jobless claims (ml)	1.756	1.750	1.750
10:00AM	Feb Pending Home Sales (%)	-1.0	0.7	4.6
10:00AM	Feb Pending Sales Index	101.9		103.2
1:00PM	7-Yr Note Auction (bl)	32		
Friday, Mar 29				
8:30AM	Jan Core PCE Inflation (y/y) (%)	1.8	1.9	1.9

Event Importance:

No Stars = Insignificant

☆ Low

★ Moderate

★★ Important

★★★ Very Important

Date	Event	Actual	Forecast	Prior
9:45AM	Mar Chicago PMI	58.7	61.0	64.7
10:00AM	Mar Consumer Sentiment (ip)	98.4	97.8	97.8
10:00AM	Feb New home sales chg mm (%)	4.9	1.3	-6.9
10:00AM	Feb New home sales-units mm (ml)	0.667	0.620	0.607

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

