



Mike Baker

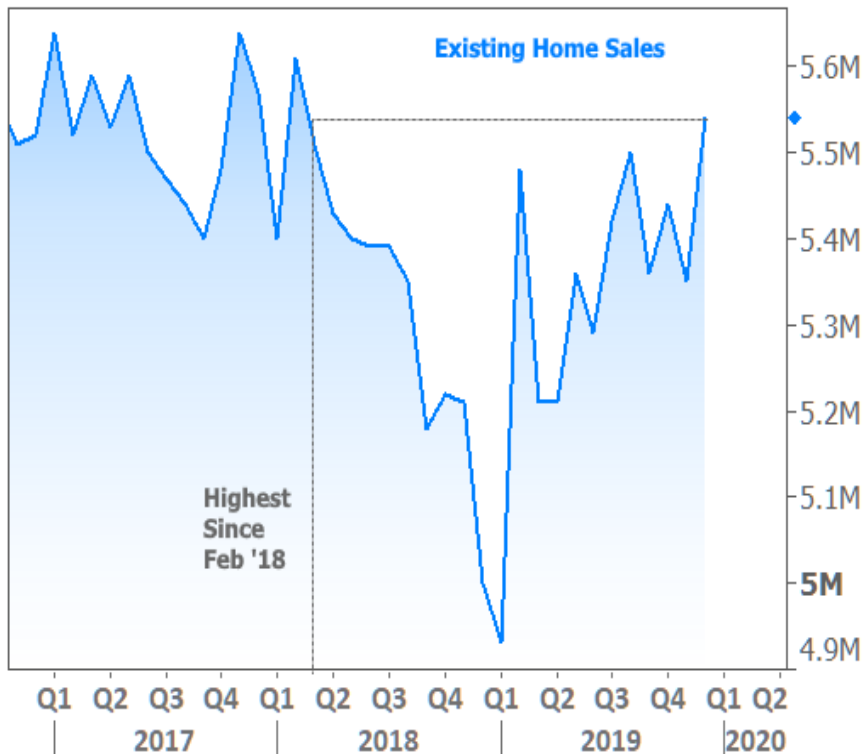
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How Coronavirus is Helping Housing

Although there were a few caveats, [last week](#) saw one of the biggest jumps in new home construction in more than decade. Now this week's data shows existing home sales at their highest in nearly 2 years, and close to highest in more than a decade. Is housing starting to boom again?

The following chart of existing sales helps put things in perspective. There were multiple months from 2016 through early 2018 where sales were similarly high, and several where they were higher. The **quickest conclusion** is that housing is merely getting back to where it was before after taking a year to cool-off a bit in 2018.



Things may not be that simple, however. December's inventory of homes for sale fell to a **record low** in the same report. And it's been near that level for 3 years running. To whatever extent an absence of inventory is constraining home sales, the housing market **could be even stronger** than the headlines suggest.

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

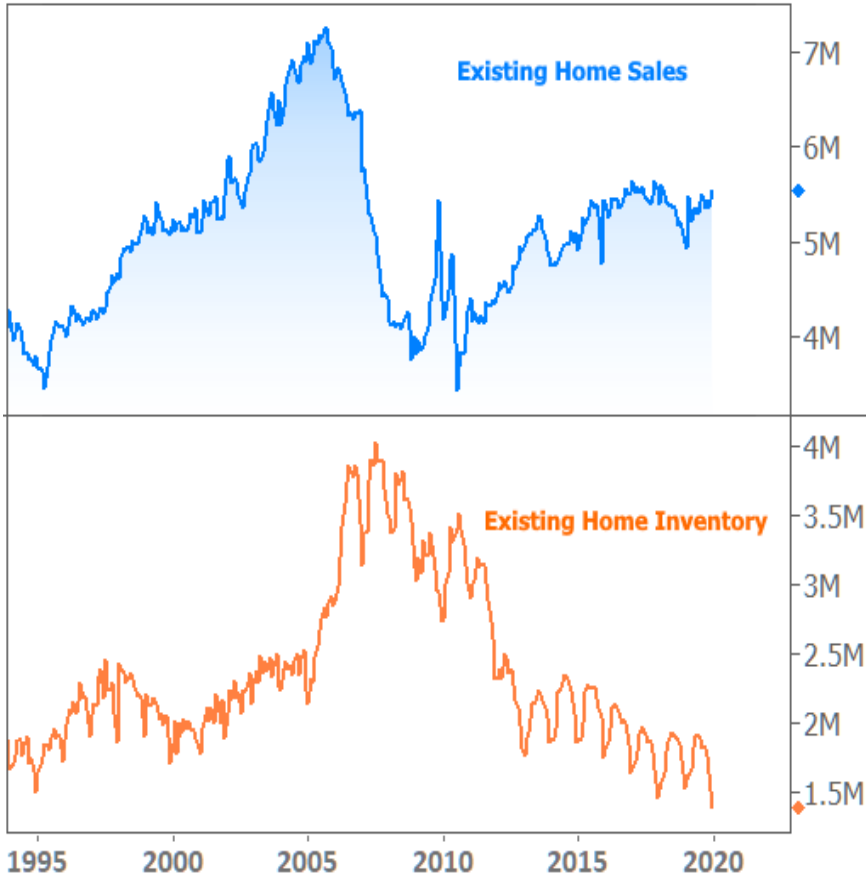
Market Data

	Price / Yield	Change
MBS UMBS 5.5	98.49	-0.45
MBS GNMA 5.5	99.10	-0.44
10 YR Treasury	4.3887	-0.0093
30 YR Treasury	4.5549	-0.0091

Pricing as of: 7/1 12:52AM EST

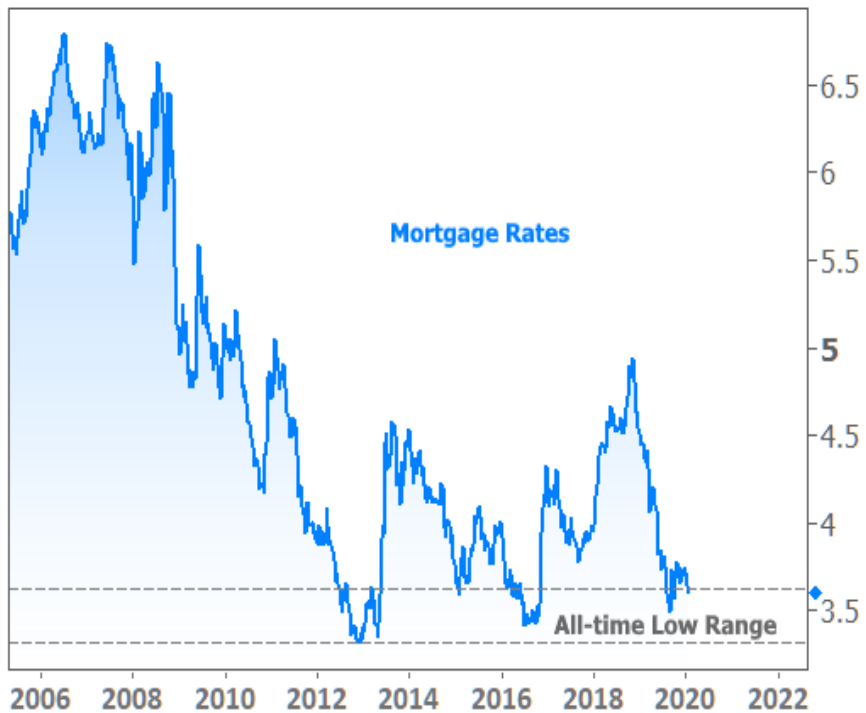
Recent Housing Data

		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%



There are several factors driving the strong home sales environment, but one factor that **always** matters is affordability. Given that the average home is financed, that makes mortgage rates a key factor in the health of the housing market.

Fortunately, rates are doing a great job of holding a steady range at levels that are not too far from all-time lows.



Rates take cues from inflation, the economy, Fed policy, government spending, and headline news among other things. Assigning credit for today's low rates or guessing where they're headed next would involve a qualitative debate. One thing every market participant can agree on this week, however, is that the **coronavirus outbreak** in China (aka Wuhan Virus or simply "nCov," which means it's a "novel" or previously unseen type of coronavirus) has been **clearly** connected to lower rate momentum in the short term.

For those who haven't taken a deep dive into the impact of the Ebola news cycle in 2014 or SARS in the early 2000's, this **might sound like a joke**. It's not. Relative to the amount of people killed by SARS, its impact on financial markets was rather extreme, with some pundits crediting it for pushing Hong Kong into a brief recession in mid-2003.

In terms of the impact on interest rates in the US, when the CDC finally announced that SARS was **contained**, it marked the bottom of a quick move to the lowest rates in a long time.



Fast forward to January 2020 and the evolution of the coronavirus news cycle is the **defining factor** in a rate reversal. This move began earlier in the month when the identification of the virus put an end to upward momentum in rates. It then kicked into higher gear mid-month when China confirmed it could spread among humans. Since then, every major update on incidence and mortality has coincided with another little bump toward lower rates.



Naturally, the whole world is hoping this outbreak is contained as quickly as possible. Until then, markets will continue accounting for the uncertainty by buying more bonds, and more bond buying means downward pressure on rates. Be aware (or even be "warned") that rates may bounce fairly quickly as soon as it looks like the tide is turning with respect to containment.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Wednesday, Jan 22				
7:00AM	w/e MBA Purchase Index	297.8		303.9
7:00AM	w/e Mortgage Refinance Index	2401.5		2444.7
10:00AM	Dec Existing home sales (ml)	5.54	5.43	5.35
10:00AM	Dec Exist. home sales % chg (%)	3.6	1.3	-1.7
Thursday, Jan 23				
8:30AM	w/e Jobless Claims (k)	211	211	204
10:00AM	Dec Leading index chg mm (%)	-0.3	-0.2	0.0
Friday, Jan 24				
9:45AM	Jan PMI-Services (Markit)	53.2	52.9	52.8
9:45AM	Jan PMI-Manufacturing (Markit)	51.7	52.5	52.4
Monday, Jan 27				
10:00AM	Dec New home sales chg mm (%)	-0.4	1.5	1.3
10:00AM	Dec New home sales-units mm (ml)	0.694	0.730	0.719

Event Importance:

No Stars = Insignificant

☆ Low

★ Moderate

★★ Important

★★★ Very Important

Date	Event	Actual	Forecast	Prior
11:30AM	2-Yr Note Auction (bl)	40		
1:00PM	5-Yr Note Auction (bl)	41		
Tuesday, Jan 28				
8:30AM	Dec Durable goods (%)	2.4	0.4	-2.1
9:00AM	Nov CaseShiller 20 yy (%)	+2.6	2.4	2.2
10:00AM	Jan Consumer confidence	131.6	128.0	126.5
Wednesday, Jan 29				
7:00AM	w/e MBA Purchase Index	313.7		297.8
7:00AM	w/e Mortgage Refinance Index	2581.2		2401.5
10:00AM	Dec Pending Sales Index	103.2		108.5
10:00AM	Dec Pending Home Sales (%)	-4.9	0.5	1.2
2:00PM	N/A FOMC rate decision (%)	1.500 - 1.750	1.625	1.625
Thursday, Jan 30				
8:30AM	Q4 GDP Advance (%)	2.1	2.1	2.1
8:30AM	w/e Jobless Claims (k)	216	215	211
Friday, Jan 31				
8:30AM	Dec Core PCE Inflation (y/y) (%)	+1.6	1.6	1.6
9:45AM	Jan Chicago PMI	42.9	48.8	48.9
10:00AM	Jan Consumer Sentiment (ip)	99.8	99.1	99.1
Tuesday, Jan 25				
1:00PM	7-Yr Note Auction (bl)	55		

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

