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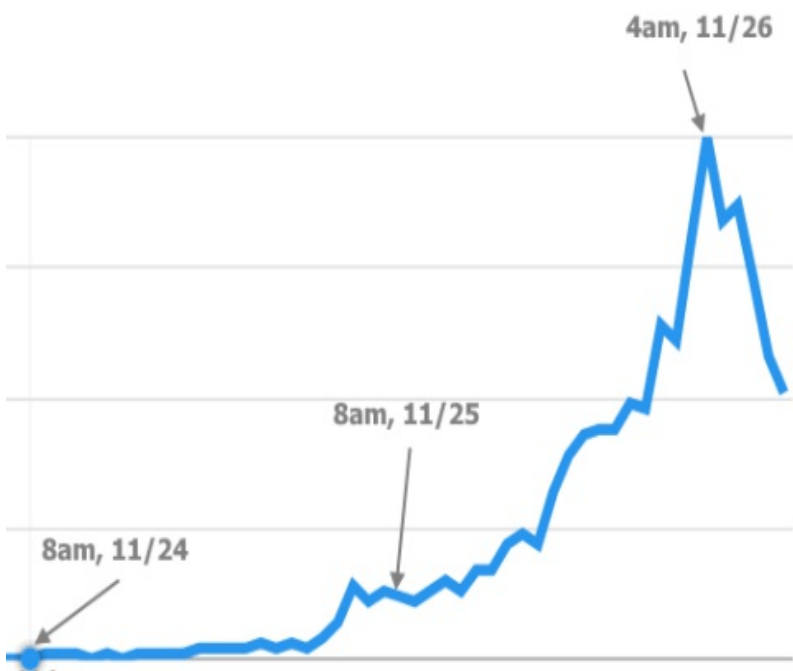
## New Covid Variant Rocks Markets; New Loan Limits Next Week

Just when it looked like the current week would fizzle out on a negative note for rates, our least favorite market mover is back in the news.

B.1.1.529 (designated now as "Omicron"), a new covid variant hit the market like a ton of bricks on Friday morning. 48 hours earlier, Google had never heard of it. Search interest began to ramp up on Thanksgiving Day. By Friday, it's an utterly pervasive headline.

Google Trends

● **b.1.1.529**  
 Search term



With financial markets closed for Thanksgiving, there was an abrupt reaction upon reopening for the half-day on Friday.

## National Average Mortgage Rates



	Rate	Change	Points
<b>Mortgage News Daily</b>			
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

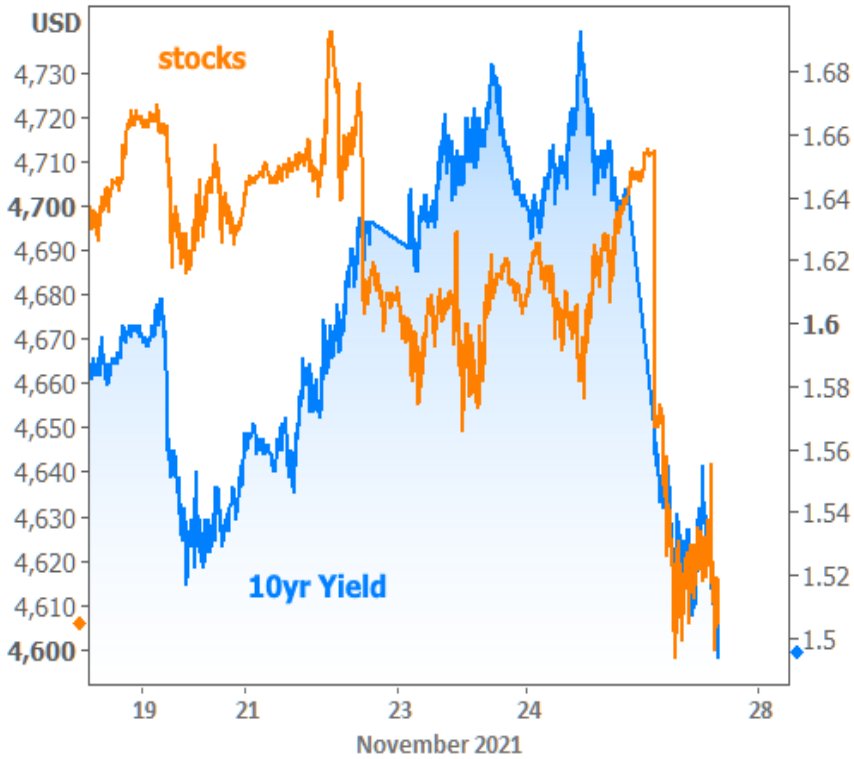
## Market Data

	Price / Yield	Change
MBS UMBS 5.5	98.49	-0.45
MBS GNMA 5.5	99.10	-0.44
10 YR Treasury	4.4064	+0.0084
30 YR Treasury	4.5755	+0.0115

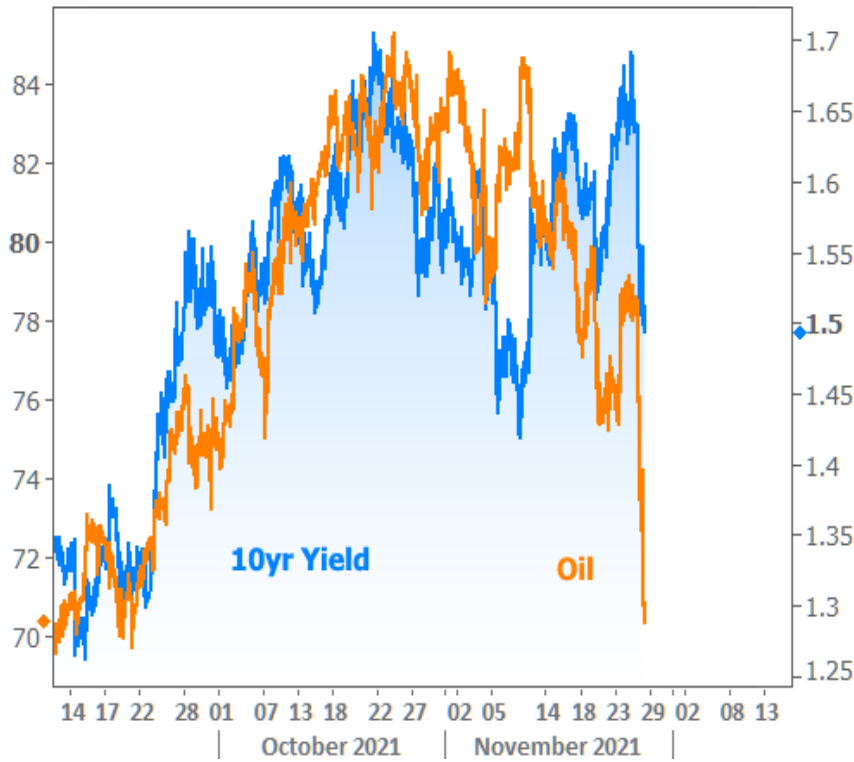
Pricing as of: 6/30 8:47PM EST

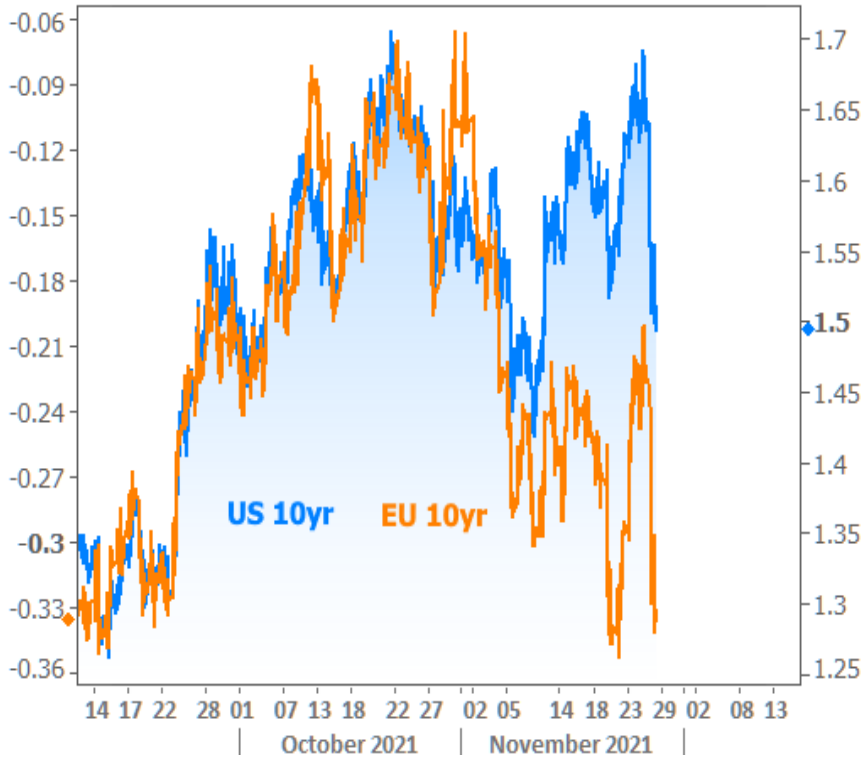
## Recent Housing Data

	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%

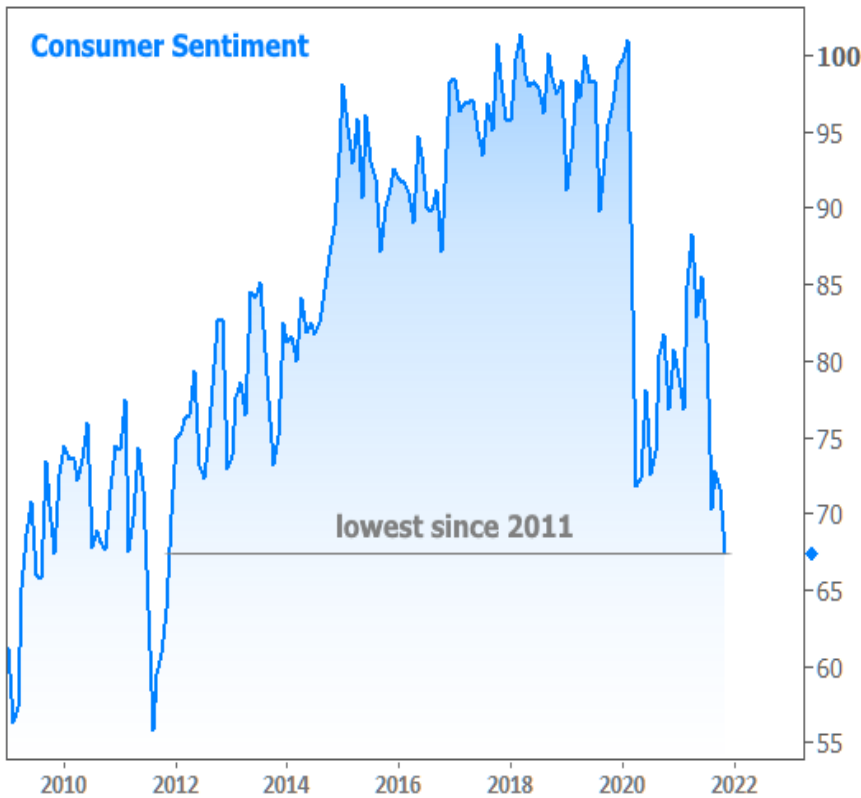


This augmented other moves that were already in progress, like the recent **decline in oil prices** and the outperformance of European bonds. Both are positive indicators for US rates as long as they keep doing what they're doing.

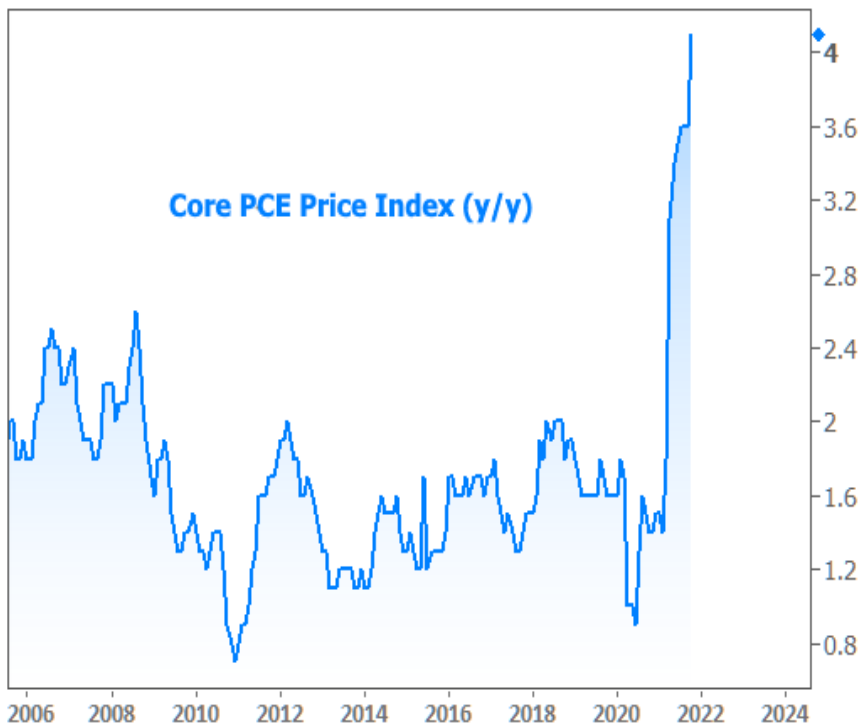




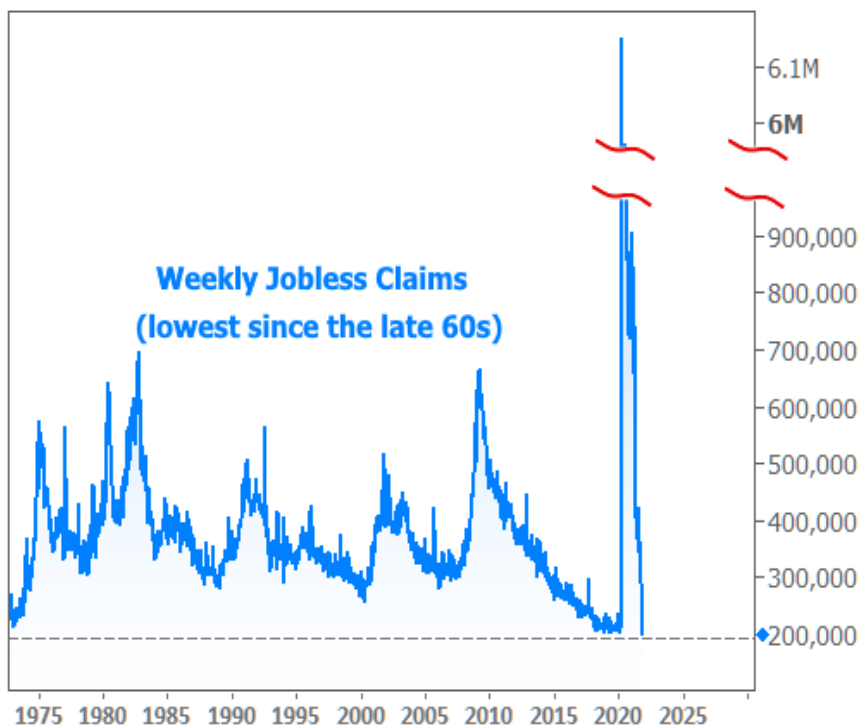
Some of the recent economic data, such as the Consumer Sentiment survey that came out on Wednesday, also suggests economic caution.



The **counterpoint** is that the low sentiment reading is primarily a factor of inflation, and inflation puts **upward** pressure on rates. A key inflation report was out at the exact same time on Wednesday morning, and let's just say it remains elevated.



There are other counterpoints as well--other places where the post-covid economy is shining. This week's most striking example is the drop in weekly jobless claims to the lowest levels since the late 1960's.

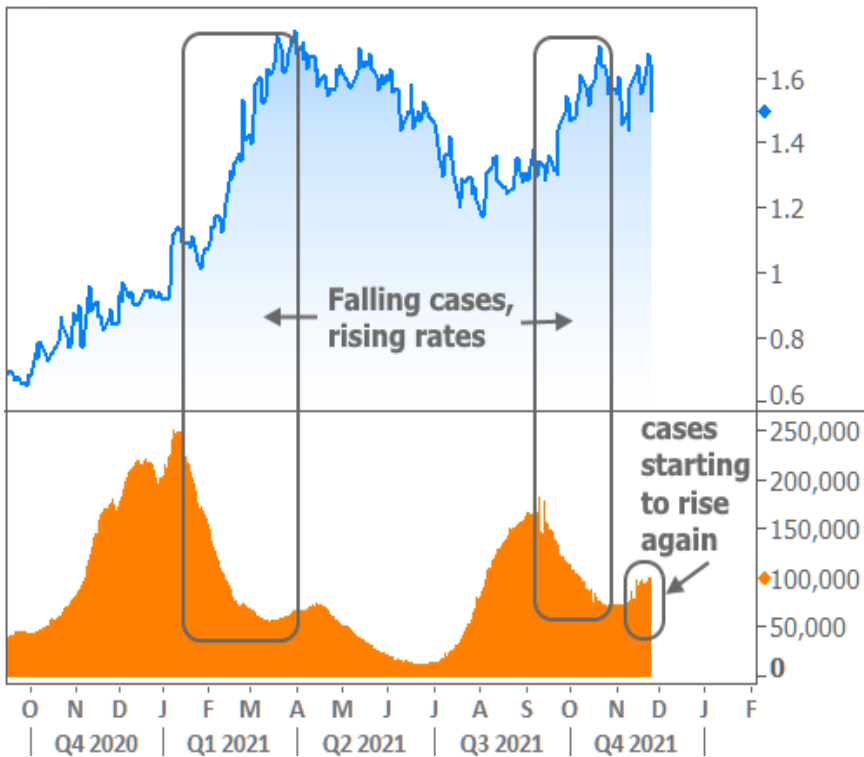


The point is that there are reasons for rates to move **higher** or **lower**. There always are.

In general, economic healing, inflation fears, and Fed tapering expectations began putting upward pressure on rates as early as the summer of 2020. Since then, there have been several "yeah buts" that have pushed back in the other direction. Most notably, the delta variant brought rates down significantly this past August.



In the coming weeks, the market will increasingly be looking to resolve the battle visualized in the chart above. If the Omicron variant proves to be as troublesome as Delta, it would likely go a long way toward reinforcing recent rate ceilings. Even if it doesn't, traders are wondering if we'll see a similar uptick in covid cases to those seen across Europe in recent weeks. There is already a modest increase in the past few weeks.



### Update on New Conforming Loan Limits

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With unprecedented home price appreciation in 2021, there is a lot of anticipation for the annual increase in conforming loan limits. This usually happens on the 4th Tuesday of November, but this year it will be the 5th Tuesday (Nov 30th). We know this beyond a shadow of a doubt because the calculation relies on FHFA's quarterly expanded home price index data, and that data has been on the calendar for next Tuesday since August 2020.

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## FHFA Announces 2021 Release Dates for House Price Index

FOR IMMEDIATE RELEASE

8/19/2020

**Washington, D.C.** – The Federal Housing Finance Agency (FHFA) today announced the FHFA House Price Index (HPI) will be released at **9 a.m. ET** on the following Tuesdays in 2021:

January 26	Monthly Index
<b>February 23</b>	<b>Quarterly and Monthly Index</b>
March 30	Monthly Index
April 27	Monthly Index
<b>May 25</b>	<b>Quarterly and Monthly Index</b>
June 29	Monthly Index
July 27	Monthly Index
<b>August 31</b>	<b>Quarterly and Monthly Index</b>
September 28	Monthly Index
October 26	Monthly Index
<b>November 30</b>	<b>Quarterly and Monthly Index</b>
December 28	Monthly Index

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## Recent Economic Data

Date	Event	Actual	Forecast	Prior
<b>Monday, Nov 22</b>				
10:00AM	Oct Existing home sales (ml)	6.34	6.20	6.29
10:00AM	Oct Exist. home sales % chg (%)	0.8		7.0
<b>Tuesday, Nov 23</b>				
9:45AM	Nov Markit Services PMI	57.0	59.0	58.7
9:45AM	Nov Markit Manuf. PMI	59.1	59.0	58.4
9:45AM	Nov Markit Composite PMI	56.5		57.6
<b>Wednesday, Nov 24</b>				
7:00AM	w/e MBA Purchase Index	295.7		282.5
7:00AM	w/e MBA Refi Index	2706.2		2695.0
8:30AM	Q3 GDP Prelim (%)	2.1	2.2	2.0
8:30AM	Oct Durable goods (%)	-0.5	0.2	-0.3
8:30AM	w/e Jobless Claims (k)	199	260	268
10:00AM	Oct Core PCE Inflation (y/y) (%)	4.1	4.1	3.6
10:00AM	Oct New Home Sales (ml)	0.745	0.800	0.800
10:00AM	Nov Consumer Sentiment (ip)	67.4	66.9	66.8
10:00AM	Nov Sentiment: 5y Inflation (%)	3.0		2.9
10:00AM	Nov Sentiment: 1y Inflation (%)	4.9		4.9
10:00AM	Oct New Home Sales (%) (%)	0.4		14.0
10:30AM	w/e Crude Oil Inventory (ml)	1.017	-0.481	-2.101
2:00PM	FOMC Minutes			
<b>Monday, Nov 29</b>				
10:00AM	Oct Pending Sales Index	125.2		116.7
10:00AM	Oct Pending Home Sales (%)	+7.5	0.9	-2.3
<b>Tuesday, Nov 30</b>				
9:00AM	Sep Case Shiller Home Prices y/y (%)	+19.1	19.3	19.7
9:00AM	Sep FHFA Home Prices y/y (%)	17.7		18.5
9:45AM	Nov Chicago PMI	61.8	67.0	68.4
10:00AM	Nov Consumer confidence	109.5	111.0	113.8
<b>Wednesday, Dec 01</b>				
7:00AM	w/e MBA Purchase Index	310.7		295.7
7:00AM	w/e MBA Refi Index	2304.5		2706.2
8:15AM	Nov ADP National Employment (k)	534	525	571
10:00AM	Nov ISM Manufacturing PMI	61.1	61.0	60.8
10:00AM	Oct Construction spending (%)	0.2	0.4	-0.5

## Event Importance:

No Stars = Insignificant

☆ Low

★ Moderate

★★ Important

★★★ Very Important

Date	Event	Actual	Forecast	Prior
<b>Thursday, Dec 02</b>				
8:30AM	w/e Jobless Claims (k)	222	240	199
<b>Friday, Dec 03</b>				
8:30AM	Nov Non-farm payrolls (k)	210	550	531
8:30AM	Nov Unemployment rate mm (%)	4.2	4.5	4.6
10:00AM	Nov ISM N-Mfg PMI	69.1	65.0	66.7

## 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**

