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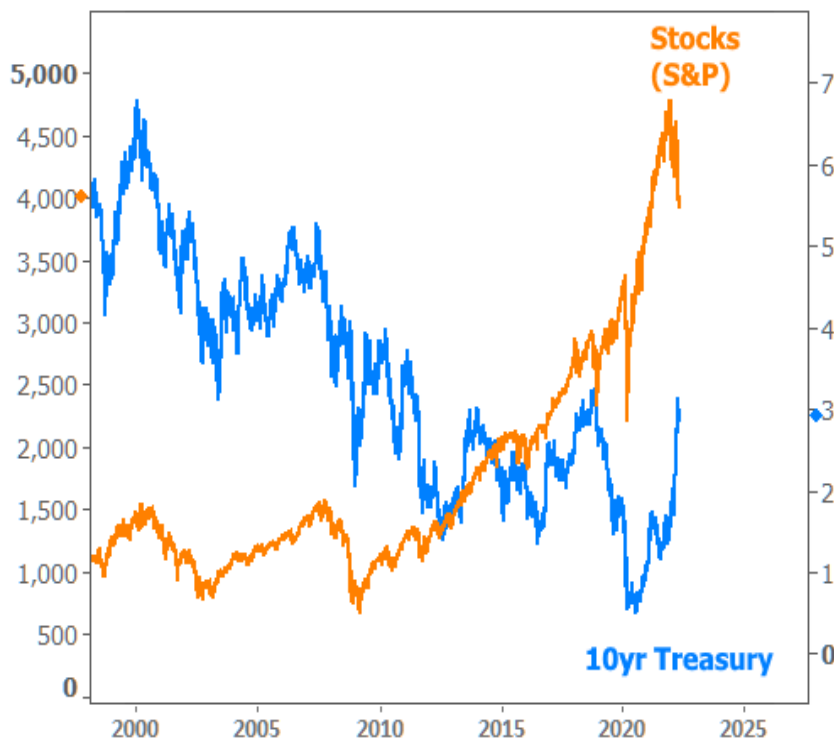
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Best Week For Rates in Almost 2 Years, But There's a Catch

Mortgage rates have moved higher at the fastest pace in decades so far in 2022, but this week proved to be a refreshing exception. To understand why, we first need to examine the relationship between stocks and bonds, which is a bit more variable than most people assume.

Conventional wisdom holds that stock prices and bond yields correlate with each other. This makes good logical sense from the standpoint of selling one to buy the other. For instance, if you sold bonds to buy stocks, bond yields and stock prices would both move higher together.

While we often see this correlation over short time frames, the longer term trends tend to be quite different.



To make matters more confusing, despite the INVERSE relationship over the longer run, there are definitely pockets of time where investors are moving money out of stocks, into bonds, and vice versa. This week hasn't been flawless in that regard, but it has generally seen more of that conventional wisdom type of movement.

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

	Rate	Change	Points
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

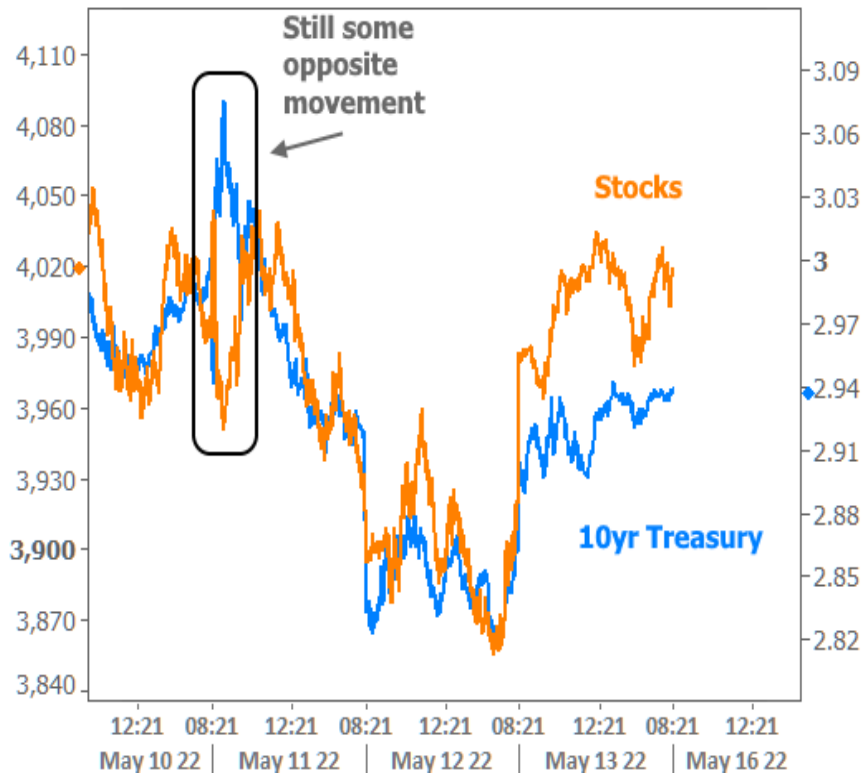
Market Data

	Price / Yield	Change
MBS UMBS 5.5	98.49	-0.45
MBS GNMA 5.5	99.10	-0.44
10 YR Treasury	4.3980	+0.1111
30 YR Treasury	4.5640	+0.1383

Pricing as of: 6/28 5:59PM 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%



As the highlighted portions of the chart point out, we can see examples of conventional wisdom and the opposite sort of movement in close proximity to one another. In other words, sometimes the orange and blue lines quickly moved in opposite directions despite mostly following each other.

Generally speaking, one of the most common reasons to see stocks and bonds jump in opposite directions is Fed policy. Even though the Fed conducts monetary policy in the bond market, when the Fed's policies are looser, the entire market tends to benefit. Conversely, when the Fed shifts toward a tighter policy stance--as has been the case on multiple occasions over the past 6 months, both stocks and bonds tend to suffer.

The Fed didn't make any policy changes on the morning of May 11th. Rather, it was the release of April's inflation numbers that briefly led investors to fear more tightening on the part of the Fed. Inflation is, after all, the big reason for the Fed's big shift in 2022.

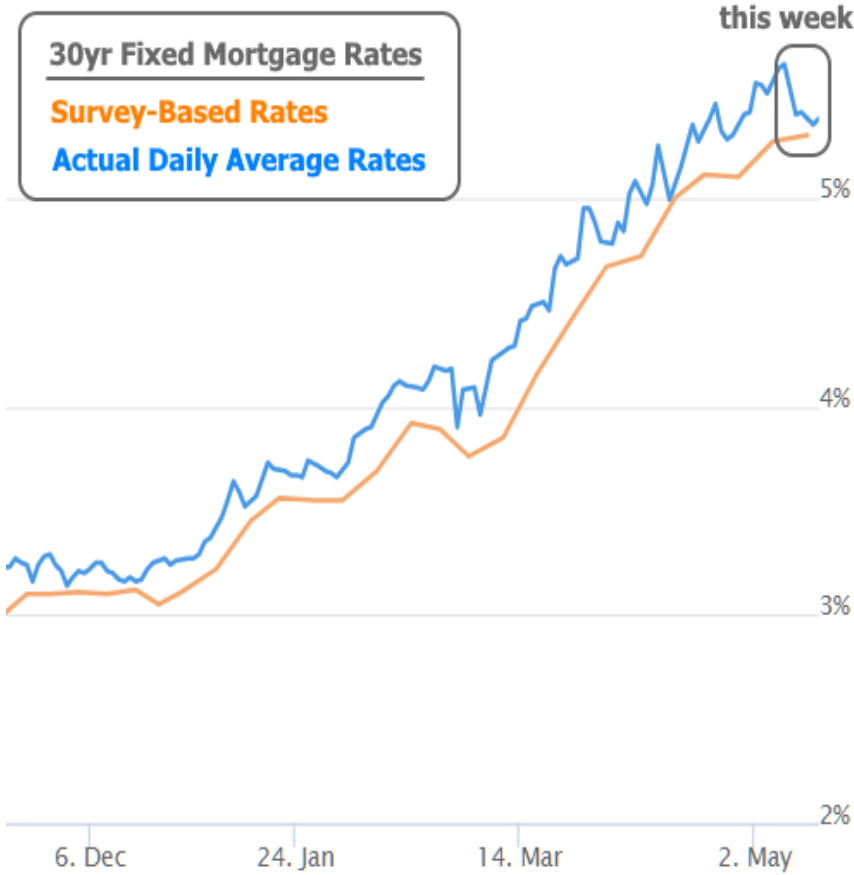


There are a few ways to measure inflation. The chart above is only one of the numbers that came out this week. Although it was slightly lower versus the previous reading, economists were expecting a bit more of a drop. This led to the temporary reaction that sent bond yields higher and stocks lower.

The middle of the week was dominated by additional weakness in stocks and a refreshing improvement in bonds, but the trend reversed on Friday as stocks found their footing. Bond yields moved higher at the same time, but not at the same pace. In fact, even after the losses, it was the best week of the year for bonds so far--at least when it comes to the pace of improvement.

Bond yields are highly correlated with mortgage rates. The strong week for bonds meant a strong week for mortgages. Even after rates edged higher on Friday, it was still the best week over week improvement in nearly 2 years. The caveat is that such an accomplishment was only made possible by rates starting the week at the highest levels since 2009.

Note: there are multiple news stories suggesting rates moved **higher** this week due to the prevalence of Freddie Mac's weekly mortgage rate survey as a source for news outlets. Freddie's data is fine as long as it's understood. Specifically, a majority of survey responses are received on Monday of any given week, but the results are not published until Thursday. That means it usually ends up being a "Monday vs Monday" number. Indeed, this Monday's rates were higher than last Monday's, but the point is that when we look at actual daily offerings, this Friday was quite a bit better than last Friday.



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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Tuesday, May 10				
1:00PM	3-Yr Note Auction (bl)	45		
Wednesday, May 11				
7:00AM	w/e MBA Purchase Index	255.4		244.4
7:00AM	w/e MBA Refi Index	913.6		932.3
8:30AM	Apr Consumer Price Index (CPI) (%)	0.3	0.2	1.2
8:30AM	Apr Core CPI (Annual) (%)	6.2	6.0	6.5
Thursday, May 12				
8:30AM	Apr Producer Prices (%)	0.5	0.5	1.4
8:30AM	Apr Core Producer Prices YY (%)	8.8	8.9	9.2
8:30AM	w/e Jobless Claims (k)	203	195	200
Friday, May 13				
8:30AM	Apr Import prices mm (%)	0.0	0.6	2.6
10:00AM	May 1yr Inflation Outlook (%)	5.4		5.4
10:00AM	May Consumer Sentiment	59.1	64.0	65.2

Event Importance:

- No Stars = Insignificant
- ☆ Low
- ★ Moderate
- ★★ Important
- ★★★ Very Important

Date	Event	Actual	Forecast	Prior
10:00AM	May 5yr Inflation Outlook (%)	3.0		3.0
Monday, May 16				
8:30AM	May NY Fed Manufacturing	-11.6	17.00	24.60
Tuesday, May 17				
8:30AM	Apr Retail Sales (%)	0.9	0.9	0.5
9:15AM	Apr Industrial Production (%)	1.1	0.5	0.9
10:00AM	May NAHB housing market indx	69	75	77
10:00AM	Mar Business Inventories (%)	2.0	1.9	1.5
Wednesday, May 18				
7:00AM	w/e MBA Purchase Index	225.0		255.4
7:00AM	w/e MBA Refi Index	826.9		913.6
8:30AM	Apr House starts mm: change (%)	-0.2		0.3
8:30AM	Apr Housing starts number mm (ml)	1.724	1.765	1.793
8:30AM	Apr Build permits: change mm (%)	-3.2		0.3
8:30AM	Apr Building permits: number (ml)	1.819	1.812	1.870
Thursday, May 19				
8:30AM	May Philly Fed Business Index	2.6	16.0	17.6
10:00AM	Apr Existing home sales (ml)	5.61	5.65	5.77
10:00AM	Apr Exist. home sales % chg (%)	-2.4		-2.7
10:00AM	Apr Leading index chg mm (%)	-0.3	0.0	0.3
Tuesday, Jul 12				
1:00PM	10-yr Note Auction (bl)	33		
Wednesday, Jul 13				
1:00PM	30-Yr Bond Auction (bl)	19		

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

