Stephen Moye
Sales Manager/Senior Loan Officer NMLS: 268619/CA-DBO268619, New American Funding Corporation. NMLS: 6606, Equal Housing Lender Licensed by the Department of Business Oversight Under the California Residential Mortgage Lending Act CA-DBO268619 Corp. NMLS: 67180 Equal Housing Lender
1615 Murray Canyon Road #1050 San Diego, CA 92108

Office: 619-309-1678
Mobile: 619-895-8128
Fax: (619) 793-1026
stephen.moye@nafinc.com
View My Website

A Message from Stephen Moye:

"this is a great summary of "what the heck is going on!""

The Day Ahead: Should You Believe Experts on Bonds vs Stocks?

Granted, my commentary is decidedly focused on bond markets--particularly as they impact MBS and the mortgage market. Over the years, I've seen that it usually **doesn't make too much sense** to bring stocks into the equation. While I do occasionally post charts that include stocks, that's usually because it's a hot topic and people are interested in it. I tend not to try to understand equities markets through my fairly bond-market-specific lens.

People with stock-focused lenses tend not to extend bonds the same courtesy. You can't swing a dead cat without hitting a news story about bond yields hurting the stock market over the past week (apologies to cat lovers... it was just a fake cat. None were harmed in the writing of this analysis...).

Granted, the upper pane of the chart below supports the notion that lower yields and higher stock prices go hand in hand, but that is usually the exact opposite of what the shortsighted stock maven typically argues. You know this old cliche: buy stocks/sell bonds (and vice versa). The notion of money moving into one market at the expense of the other (which would result in the 2 lines following each other) is definitely the **entrenched market worldview.** I've spent a lot of time arguing against that worldview--not because it's never correct, but simply because it's not a reliable way to approach markets.

Take the short-term pattern below for example (lower pane of the chart). Do they **expect us to believe** that rising rates are tanking stocks when rates and stocks just spent nearly 5 months moving higher together?

MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 5.0	99.37	+0.02
MBS GNMA 5.0	99.93	+0.02
10 YR Treasury	3.9068	+0.0029
30 YR Treasury	4.1960	+0.0028

Pricing as of: 9/1 7:34PM EST

Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	6.43%	+0.02	0.00
15 Yr. Fixed	5.95%	0.00	0.00
30 Yr. FHA	5.82%	+0.02	0.00
30 Yr. Jumbo	6.62%	0.00	0.00
5/1 ARM	6.28%	-0.01	0.00
Freddie Mac			
30 Yr. Fixed	6.35%	-0.51	0.00
15 Yr. Fixed	5.51%	-0.65	0.00
Mortgage Bankers Assoc.			
30 Yr. Fixed	6.44%	-0.06	0.54
15 Yr. Fixed	5.88%	-0.16	0.68
30 Yr. FHA	6.36%	-0.06	0.85

© 2024 MBS Live, LLC. - This newsletter is a service of MarketNewsletters.com.

The interest rates provided in this newsletter are national averages from independent data sources. Rate/APR terms may differ from those listed above based on the creditworthiness of the borrower. All information provided "as is" for informational purposes only, not intended for trading purposes or financial advice.

Read or subscribe to my newsletter online at: http://housingnewsletters.com/stephenmoye

	Rate	Change	Points
30 Yr. Jumbo	6.75%	+0.07	0.39
5/1 ARM	5.98%	-0.27	0.65

Rates as of: 8/30

Sure, there will be plenty of times where stocks and bonds (yields) are moving in the same direction, but that's never a guarantee they will continue to do so. Conversely, high bond yields aren't destined to tank equities markets, even though there's no question that higher rates can create **fundamental headwinds** for economic growth. I wouldn't even argue that if rates go high enough that it will eventually precipitate a correction in equities markets, but one week of higher rates deserves almost no blame for the stock market's worst week in 2 years.

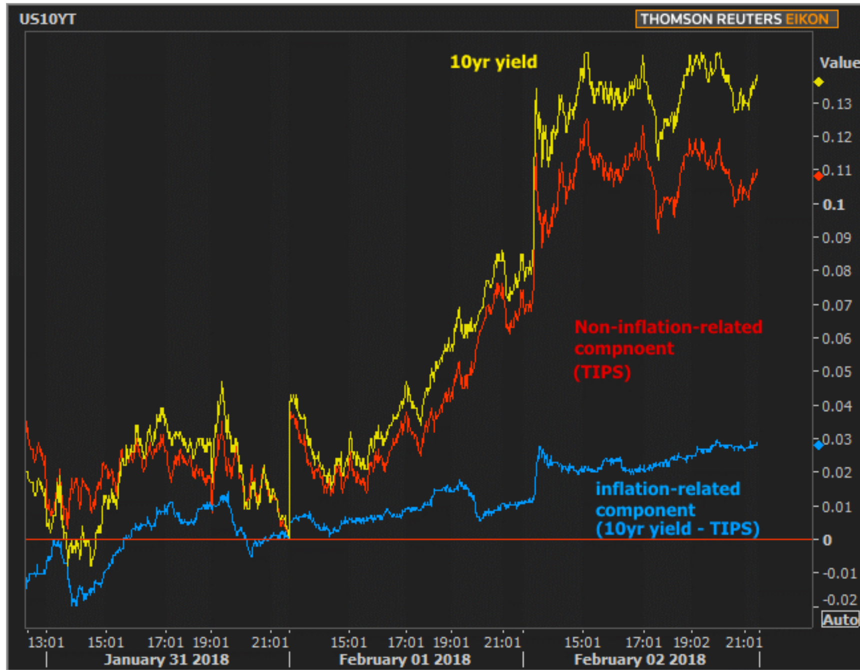
The reason I bring all this up is so we're not pinning our hopes on equities markets to pave the way for a bond market reversal. Time and again, we've seen that it takes a BIG move lower in equities to even remotely register in bond markets. Even then, all our recent body of evidence comes during a time when falling equities prices tacitly endorsed further central bank easing (which lifted both stocks and bond PRICES). Now that central banks are slowly backing away, it could take even more stock market weakness to make a dent in bond weakness.

© 2024 MBS Live, LLC. - This newsletter is a service of [MarketNewsletters.com.](MarketNewsletters.com)

The interest rates provided in this newsletter are national averages from independent data sources. Rate/APR terms may differ from those listed above based on the creditworthiness of the borrower. All information provided "as is" for informational purposes only, not intended for trading purposes or financial advice.

Read or subscribe to my newsletter online at: http://housingnewsletters.com/stephenmoye

The other implication is that bonds can recover (or at least rebound in some temporary sort of way) without a stock sell-off needing to lead the way. At the very least, we have better indicators that can lead the way. One place last week's news sort of stumbled onto a relevant connection was with respect to inflation. If we get any sort of beat on next week's CPI data, it will be bad for bonds. But I say the news "stumbled" onto that connection because it was **in no way relevant** due to the very-close-to-consensus wage growth data that was mysteriously latched-onto by reporters (and even some analysts) in order to explain the bond yield spike. One only need look at nominal yields vs inflation breakevens to see that inflation played essentially no role in Friday's spike.

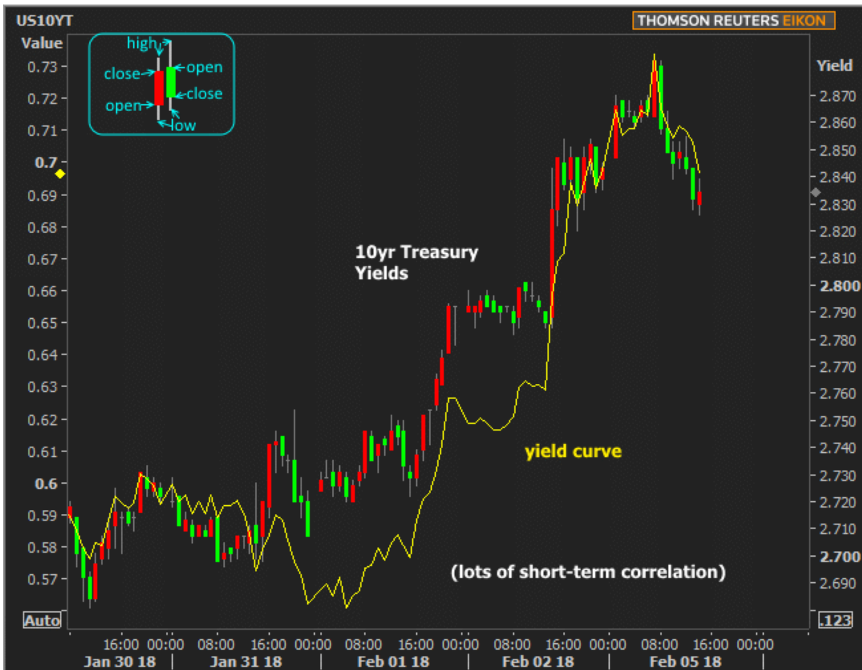


So what made yields pop then? It was a combination of NFP acting as a sort of floodgate for February's "new month" trading (the rebound effect from compulsory month-end trading). The yield curve also played an important role as it had a big technical breakout that coincided with the yield spike in longer-term bonds. The curve has been well-correlated with 10yr movement. If it's running into resistance to further tightening (i.e. if the yellow line has a hard time moving lower in the following chart), then 10yr yields will have to go higher.

© 2024 MBS Live, LLC. - This newsletter is a service of MarketNewsletters.com.

The interest rates provided in this newsletter are national averages from independent data sources. Rate/APR terms may differ from those listed above based on the creditworthiness of the borrower. All information provided "as is" for informational purposes only, not intended for trading purposes or financial advice.

Read or subscribe to my newsletter online at: http://housingnewsletters.com/stephenmoye



Subscribe to my newsletter online at: http://housingnewsletters.com/stephenmoye

© 2024 MBS Live, LLC. - This newsletter is a service of MarketNewsletters.com.

The interest rates provided in this newsletter are national averages from independent data sources. Rate/APR terms may differ from those listed above based on the creditworthiness of the borrower. All information provided "as is" for informational purposes only, not intended for trading purposes or financial advice.

Read or subscribe to my newsletter online at: http://housingnewsletters.com/stephenmoye

thanks for visiting this site

thank you for coming to website. Having been a loan officer for 20+year...I know first hand how important it is to stay on top of the news and event that effect mortgage rates, regulation, and program guidelines. Let this web site be a resource for you.
New American Funding CA-DBO268619 Corp. NMLS: 6606
Equal Housing Lender
Licensed by the Department of Business Oversight Under the California Residential Mortgage Lending Act

Stephen Moye

© 2024 MBS Live, LLC. - This newsletter is a service of MarketNewsletters.com.

The interest rates provided in this newsletter are national averages from independent data sources. Rate/APR terms may differ from those listed above based on the creditworthiness of the borrower. All information provided "as is" for informational purposes only, not intended for trading purposes or financial advice.

Read or subscribe to my newsletter online at: http://housingnewsletters.com/stephenmoye