



## 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](mailto:stephen.moye@nafinc.com)  
[View My Website](#)

## The Day Ahead: Checking in With "Longer-Term Trend"

I talk quite a bit about the "long-term trend" or the "longer-term trend" these days. It most frequently comes up in some iteration of the following: "until the long-term trend has been clearly defeated," etc. But what exactly are we talking about?

The following chart has several iterations.

**TOP:** This is the most relevant of the 3 for the lock/float outlook. It leaves some room for corrections that take rates back to the lower boundary, but there's no guarantee we'll hit the lower end before we return to the upper end.

**MIDDLE:** This is what I would consider to be the general counterattack leading back from the all-time lows in 2012. Yes, yields did move a bit lower (to new all-time lows) in 2016, but I tend to view that as a temporary divergence due to Brexit and EU bond-buying. The core of the trend is pretty clear, and in a weird way, it's almost more clear when you look at the next section down.

**BOTTOM:** I only included this one to show what the trendlines would look like if we include all of the market movement over the same time frame as the middle chart. Not only do we have the lows and highs moving in opposite directions, I also feel like the internal trendlines from the middle chart sort of jump out at us.

## 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
<b>Mortgage News Daily</b>			
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
<b>Freddie Mac</b>			
30 Yr. Fixed	6.35%	-0.51	0.00
15 Yr. Fixed	5.51%	-0.65	0.00
<b>Mortgage Bankers Assoc.</b>			
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



	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

From a **purely technical** standpoint, there's quite a strong bullish case to be made here. Especially with respect to the middle chart, it looks like bonds are at the top of their trend channels, even if the overall trajectory remains unfriendly.

It would be great (in this case) if technicals were the only source of market movement! If we sprinkle in what we know about the fundamental environment (i.e. Fed still hiking, gov still issuing more Treasury debt, etc), we definitely **shouldn't EXPECT** rates to make a strong move toward the lower lines. Moreover, if such a thing can happen, it will be the product of some motivation that isn't currently in play (like a recession) or that hasn't fully played out yet (like a trade war that precipitates a global economic downturn).

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