



## 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 Week Ahead: Data Returns While Trade Drama Backdrop Persists

In the week just past, markets were slavishly tuned-in to headlines and developments surrounding **US/China trade relations**. This generally resulted in bond gains and stock losses. The week, as a whole, represented an unexpected break from the trend of containment seen in the previous week (noted in chart below).

Now, the current week begins with the same sort of breakout.



But **why are these breakouts 'unexpected?'** To be fair, they weren't! They were neither expected nor unexpected. Any other stance would be ignorant of the market's most important rule: anything can happen tomorrow and everything we know about what might happen is already priced-in today. It's more fair to say the breakouts were "counter-trend."

## MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 5.0	99.35	<b>-0.16</b>
MBS GNMA 5.0	99.91	<b>-0.04</b>
10 YR Treasury	3.9039	<b>+0.0424</b>
30 YR Treasury	4.1932	<b>+0.0468</b>

Pricing as of: 8/30 5:59PM EST



## Average Mortgage Rates

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

At the end of last week, the base case was for the ending of the trade negotiations in Washington to coincide with a market rebound based on the fact that the sky wasn't falling even though we didn't get any major progress toward a trade deal. The counterpoint was that this outcome was **so obvious** that it could create crowded trading positions and thus open the door for a contrarian contingent of traders to force bonds into a **short squeeze**. Indeed, much of the extra oomph seen in bonds this morning (10yr yields well past Friday's lows while stocks have yet to break theirs) is attributable to short covering, but the general decline in stocks continues to mirror bonds. That suggests the "risk-off" trade is still alive as this week begins.

	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

US econ data may have some chance to add to the risk-on/off themes, but not until Wednesday at the earliest. After 2 fairly quiet days in terms of data, Wednesday brings **Retail Sales--the week's headliner**--in addition to NY Fed manufacturing, Industrial Production, Builder Confidence, and Business Inventories. Thursday adds Housing Starts /Building Permits as well as Philly Fed and Jobless Claims. Things continue to die down on Friday, which only boasts Consumer Sentiment and Leading Economic Indicators.

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