



## 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

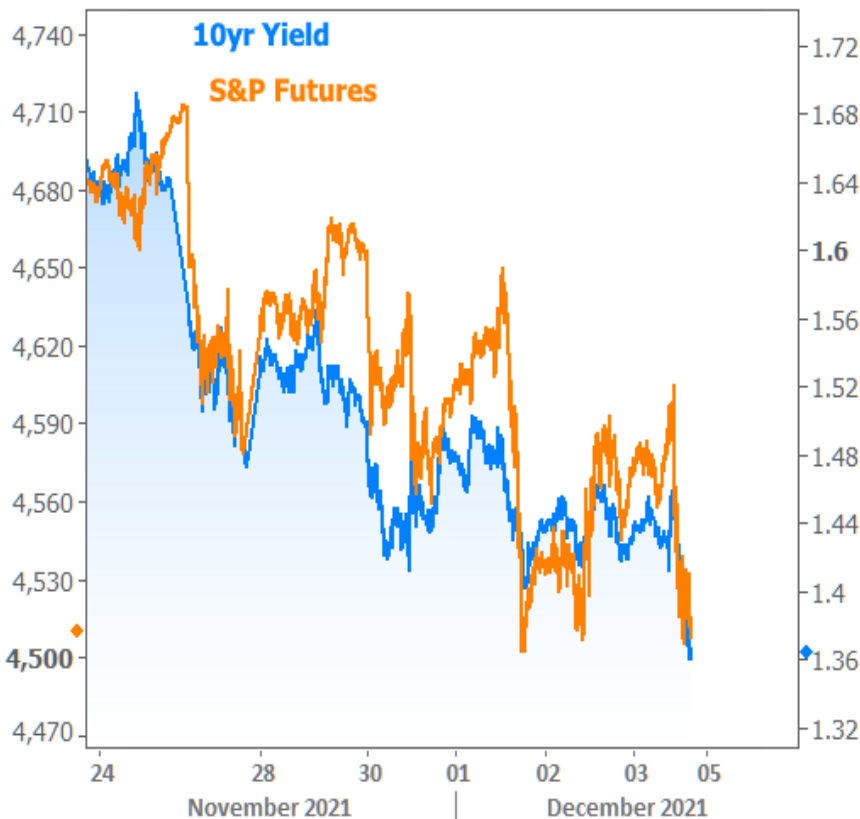
Office: 619-309-1678  
Mobile: 619-895-8128  
Fax: (619) 793-1026  
[stephen.moye@nafinc.com](mailto:stephen.moye@nafinc.com)  
[View My Website](#)

## Should We Be Worried?

Several developments are converging on the global economy and financial markets at the moment. Each brings its own causes for concern. Together, they bring a significant increase in volatility.

### Should we be worried about Omicron?

Answering such questions is beyond the scope of this newsletter. What we can say is that the financial market is clearly asking itself this question and the effects are obvious. Stocks had been flat in the weeks leading up to omicron and bonds had been moving higher in yield. Post-omicron and they've entered into a familiar risk-aversion pattern marked by lower stock prices and bond yields.



## National 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 |

Rates as of: 8/30

## Market Data

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

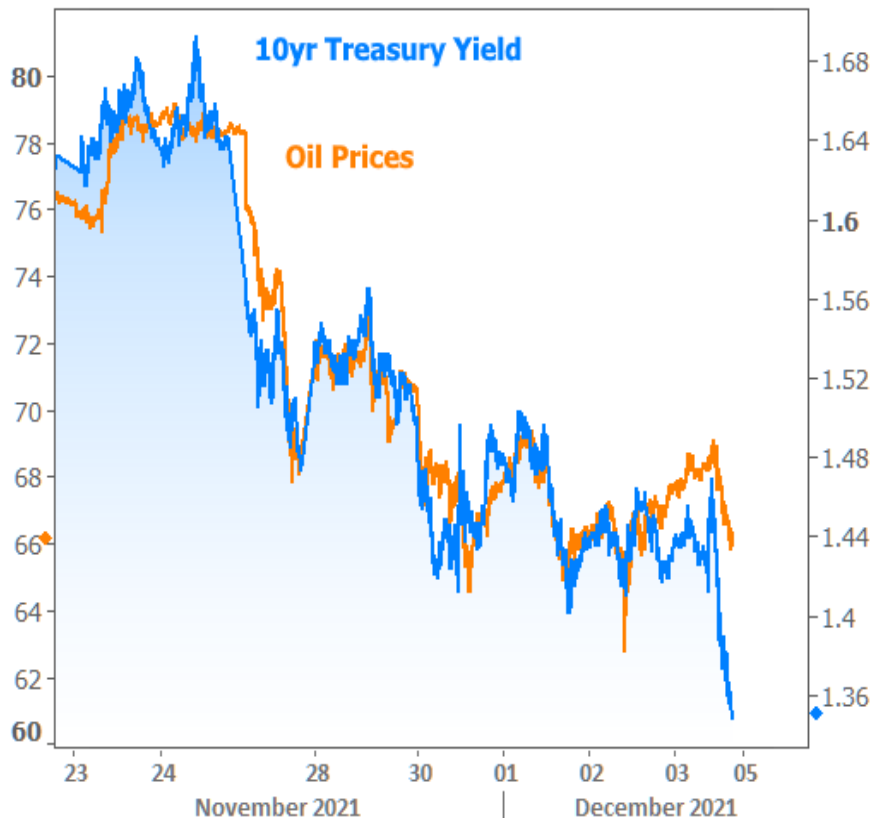
Pricing as of: 8/30 5:59PM EST

## Recent Housing Data

|                    |        | Value | Change  |
|--------------------|--------|-------|---------|
| Mortgage Apps      | Aug 28 | 226.9 | +0.49%  |
| 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%  |

The same "risk-off" vibes are apparent in other assets as well. Covid may not be the only consideration for oil prices, but it did give them a push. Lower oil prices don't dictate rates, but they have a bearing on inflation. Lower inflation is good for rates, all other things being equal. So at the very least, lower oil prices aren't hurting rates.

|                     | Value     | Change |
|---------------------|-----------|--------|
| Existing Home Sales | Feb 3.97M | -0.75% |
| Builder Confidence  | Mar 51    | +6.25% |



Speaking of that...

### Should we be worried about inflation?

The Federal Reserve is increasingly saying "yes!" Just this week, Fed Chair Powell dropped several candid comments during a scheduled congressional testimony. These weren't out of left field, by any means, but they surprised more than a few market participants.

### What did he say?

In a nutshell, Powell acknowledged that we should no longer be referring to high inflation strictly as a temporary by-product of covid-related supply disruptions. That's important because it suggests the Fed needs to be more aggressive when it comes to doing something about it.

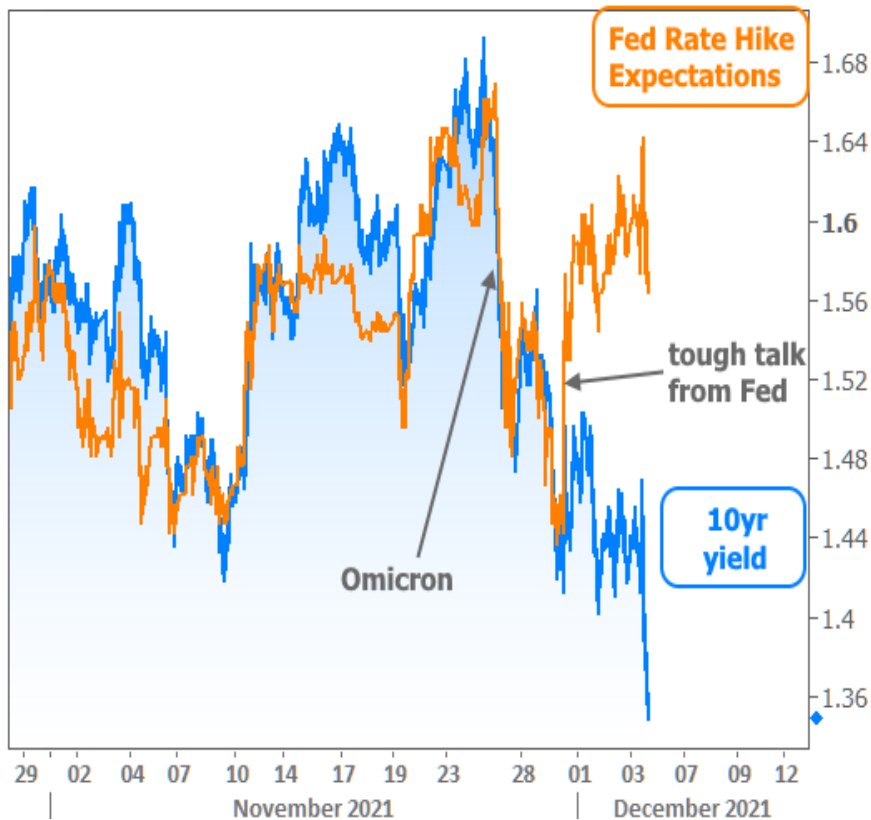
The second comment followed naturally from the first when Powell said the Fed may need to taper more quickly (fancy words for buying fewer Treasuries and MBS). By the end of the week, multiple Fed speakers made similar comments. Suddenly, the market is gearing up for the strong possibility that the Fed announces an acceleration of its tapering process as early as the December 15th meeting.

### Should we be worried about the Fed tapering faster?

Yes and no. The goal with faster tapering isn't actually about tapering. Rather, the Fed's playbook calls for finishing asset purchases before raising rates, and raising rates is what the Fed would really like to be able to do in the fight against inflation. In other words, faster tapering is a means to an end.

The Fed's rate hike outlook affects shorter duration bonds first and foremost. After all, a 2yr Treasury note is a lot closer to being an "overnight" rate (like the Fed Funds Rate) than a 10yr Treasury note.

To be fair, Fed rate hike expectations hit longer term rates as well, but longer term rates get much more benefit from things like omicron concern. As such, longer-term yields/rates were able to continue lower at the end of the week even as Fed rate hike expectations continued higher.



The only catch is that mortgage rates haven't weathered this storm as well as 10yr Treasury yields.

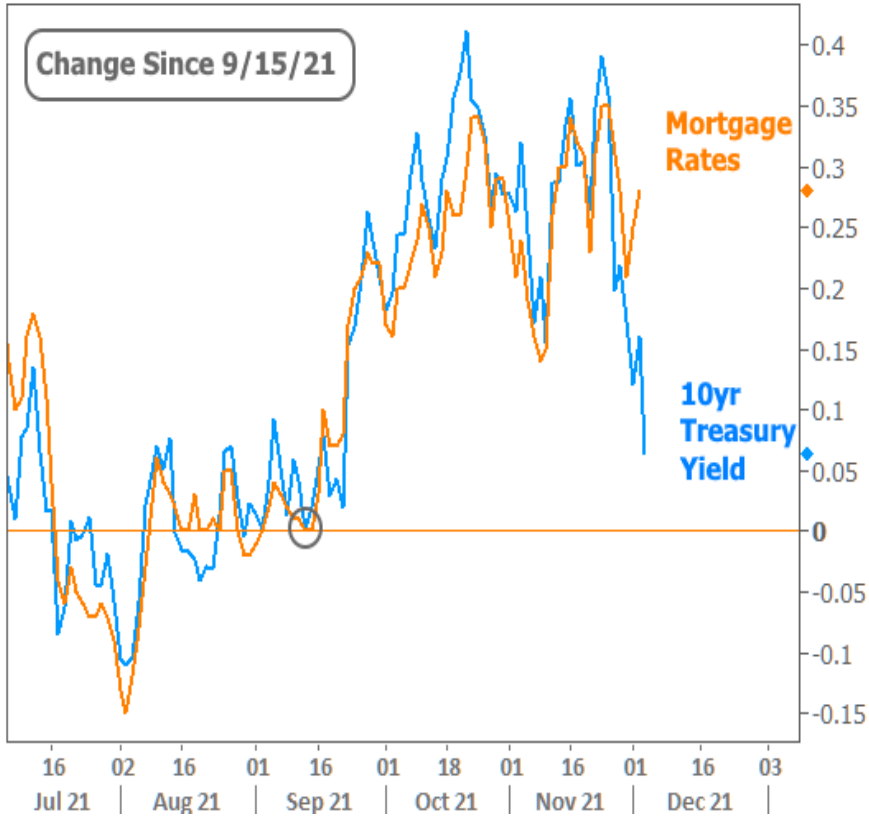
### Should we be worried about mortgage rates?

Not really, but at the same time, they've gotten the shorter end of the stick relative to 10yr yields. There are a few reasons for this. The simplest reason is that the average mortgage doesn't tend to last 10 years.

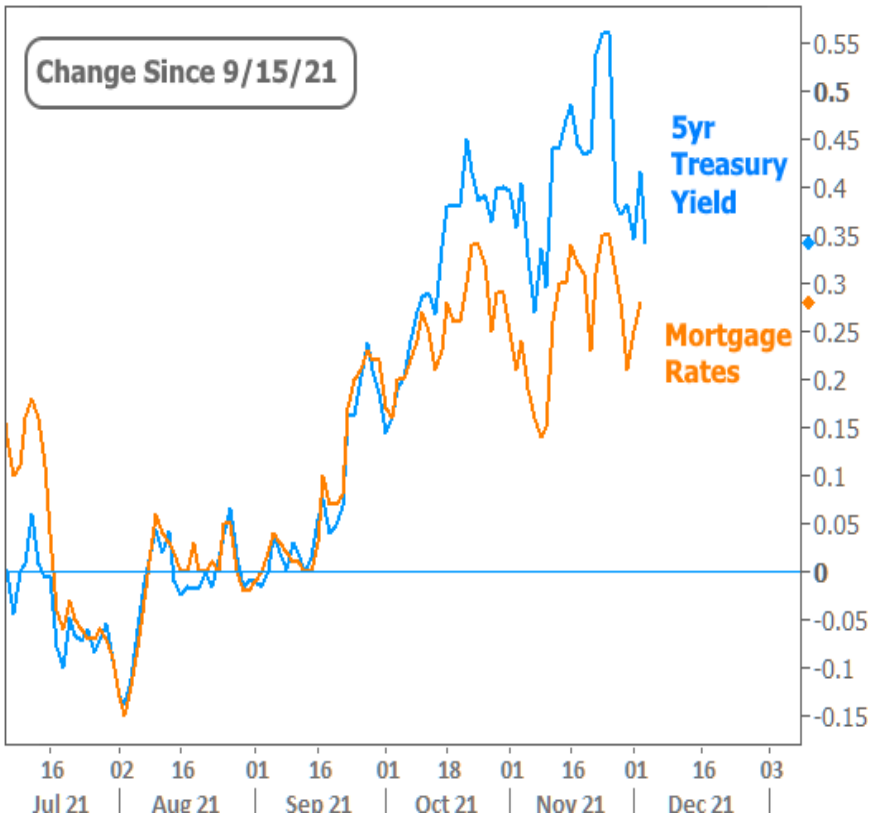
That means from an investment standpoint, mortgage-backed bonds are often more comparable to shorter-term debt like 5 or 7 year Treasury notes. In fact, one popular analytical practice is to use a blend of 5 and 10yr Treasury notes to serve as a better basis of comparison for mortgage bonds.

### What's the point?

If we compare mortgage rates to 10yr yields, we might be more concerned about the recent underperformance.



But if we make the same comparison with 5yr yields, mortgage rates have actually done better over the past few months. (NOTE: we chose mid September as a baseline because Fed taper talk shifted into higher gear in late September, thus sparking the biggest recent shift in performance between longer and shorter term rates).



**Where do we go from here?**

That's the topic of much debate and unavoidable uncertainty. As has been the case since early 2020, so much depends on the course of the pandemic. Omicron simply increased uncertainty and widened the gap between positive and negative outcomes.

If things go well from a global health standpoint and omicron fails to become as damaging as this summer's delta wave, rates would likely move higher. In the opposite scenario, the downward pressure on rates would take its cues from the severity of the situation. More lockdowns and global economic upheaval = lower rates, generally speaking. We'll cross those bridges if we come to them (and we'll hope not to)

**Other important developments this week.**

It depends whom you ask, but the week's biggest news for the housing market was likely the official announcement of the new conforming loan limits for 2022. We knew they'd be big, and now we have confirmation. The new limit rises to \$647,200 for 2022--quite a jump from \$548,250 in 2021.

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

**Recent Economic Data**

| Date                     | Event                                | Actual | Forecast | Prior  |
|--------------------------|--------------------------------------|--------|----------|--------|
| <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   |
| <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 Bus Act                | 74.6   |          | 69.8   |
| 10:00AM                  | Nov ISM N-Mfg PMI                    | 69.1   | 65.0     | 66.7   |
| <b>Tuesday, Dec 07</b>   |                                      |        |          |        |

**Event Importance:**

No Stars = Insignificant

☆ Low

★ Moderate

★★ Important

★★★ Very Important

| Date                     | Event                              | Actual | Forecast | Prior |
|--------------------------|------------------------------------|--------|----------|-------|
| 1:00PM                   | 3-Yr Note Auction (bl)             | 54     |          |       |
| <b>Friday, Dec 10</b>    |                                    |        |          |       |
| 8:30AM                   | Nov Core CPI (Annual) (%)          | 4.9    | 4.9      | 4.6   |
| 8:30AM                   | Nov Consumer Price Index (CPI) (%) | 0.8    | 0.7      | 0.9   |
| 10:00AM                  | Dec Consumer Sentiment             | 70.4   | 67.1     | 67.4  |
| <b>Wednesday, Jan 12</b> |                                    |        |          |       |
| 1:00PM                   | 10-yr Note Auction (bl)            | 36     |          |       |
| <b>Thursday, Jan 13</b>  |                                    |        |          |       |
| 1:00PM                   | 30-Yr Bond Auction (bl)            | 22     |          |       |

## 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 Moyer**

