



**Tom Payne**

Senior Loan Consultant, loanDepot  
 NMLS# 1017004 #174457 Licensed in all 50 States  
 2835 St. Rose Parkway, Suite 120 Henderson, NV 89052

Office: 702-303-0243  
 Mobile: 702-303-0243  
[tompaynemortgage@gmail.com](mailto:tompaynemortgage@gmail.com)  
[View My Website](#)

## Just How Much Do Stocks Matter For Rates?

Last week we discussed the bond market paradox that has been **dominating the new year**, whereby interest rates moved lower despite stronger economic data. In a normal, boring, perfect world, interest rates AND stock prices would generally move higher when economic data is stronger and vice versa.

At present, there is a disconnect between stocks and economic data. In fact, equities markets continue to have the **worst start to a year—ever**—despite some of the best economic reports in recent memory (like the most recent jobs report which crushed estimates and ranked among the 10 best of the recovery).

The disconnect is a **pleasant surprise for interest rates**, which have been falling in concert with stocks. But it begs the question: if rates are moving lower with stocks right now, why haven't they been moving higher with stocks for the past few years?

If the Fed's response to the financial crisis reinforced any lesson about markets, it's that stocks and bonds **don't always have to follow** each other. This was easiest to observe when both sides of the market would respond favorably to increased accommodation from the Fed (i.e. loose monetary policy helped stocks rise and rates fall simultaneously).

But to be sure, it was **only a reminder** of something we could have already seen in the past. In fact, it's as simple as pulling up a long term chart of stock prices and 10yr Treasury yields (which generally moves in concert with mortgage rates).

## National Average Mortgage Rates



	Rate	Change	Points
<b>Mortgage News Daily</b>			
30 Yr. Fixed	6.89%	0.00	0.00
15 Yr. Fixed	6.33%	+0.01	0.00
30 Yr. FHA	6.33%	+0.01	0.00
30 Yr. Jumbo	7.05%	0.00	0.00
5/1 ARM	6.58%	0.00	0.00

### Freddie Mac

30 Yr. Fixed	6.77%	-0.09	0.00
15 Yr. Fixed	6.05%	-0.11	0.00

Rates as of: 7/22

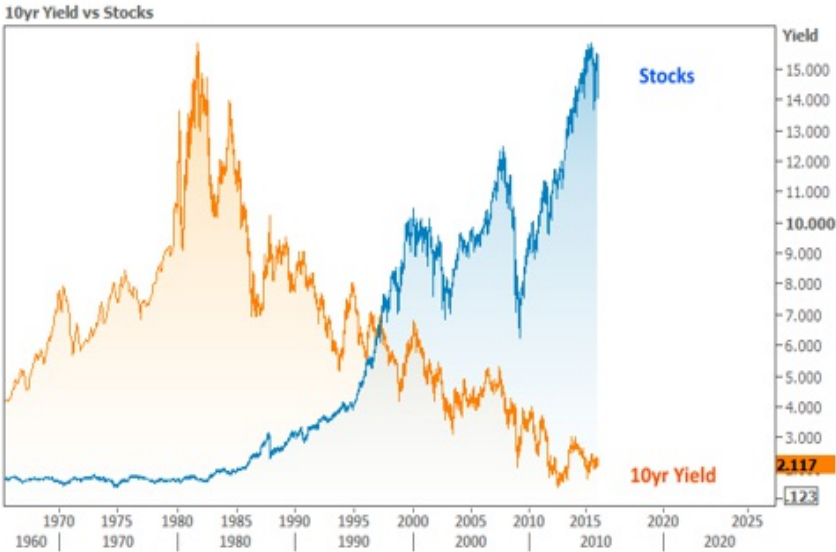
## Market Data

	Price / Yield	Change
MBS UMBS 5.5	99.51	+0.12
MBS GNMA 5.5	99.93	+0.15
10 YR Treasury	4.2286	-0.0239
30 YR Treasury	4.4538	-0.0187

Pricing as of: 7/23 8:48AM EST

## Recent Housing Data

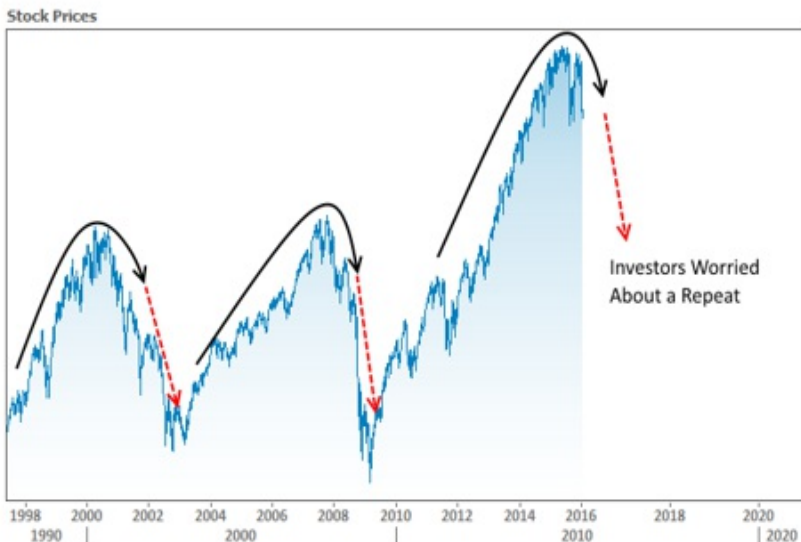
		Value	Change
Mortgage Apps	Jul 10	206.1	-0.19%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%
Builder Confidence	Mar	51	+6.25%



There's **no trick** involved with this chart. Bond yields really did fall consistently since the early 80's while stocks exploded higher. It's only when we zoom in to much shorter time scales that we see the correlation.



The bigger the losses in stocks, the more likely bond markets are to be paying attention (i.e. falling rates), and early 2016 losses have been massive. **Why so big?** Opinions vary, but one of the easiest reasons to grasp would be that investors are worried about something like this:



If stocks are indeed headed for another long term shift like that seen in the chart above, it would make sense for investors to **frantically search** for places to keep their money safe. The bond market is a natural safe haven and additional buying demand in bonds is what helps rates go lower.

On a qualitative note, there’s really no telling how long this paradox will last. It already seems to have taken many market participants off guard.

Housing-specific news was light this week. CoreLogic noted “**remarkable improvement**” in **foreclosure** statistics.

Black Knight had an **interesting perspective** regarding the increase in “tappable” equity likely to result in a **HELOC resurgence**.

Somewhat in line with the bigger-picture stock market gloominess, a **Fed Survey** found that consumers are **expecting low wages** and inflation to match.

On a final note, keep in mind that this is a **3-day weekend** for financial markets. Mortgage lenders will be closed on Monday in observance of Martin Luther King Jr. Day.

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

**Recent Economic Data**

Date	Event	Actual	Forecast	Prior
<b>Tuesday, Jan 12</b>				
11:30AM	26-Week Bill Auction (bl)	45		
1:00PM	3-Yr Note Auction (bl)	24		
<b>Wednesday, Jan 13</b>				
7:00AM	w/e Mortgage Refinance Index	1380.4		1114.8
7:00AM	w/e MBA Purchase Index	231.1		196.2
1:00PM	10-yr Note Auction (bl)	21		
<b>Thursday, Jan 14</b>				

**Event Importance:**

No Stars = Insignificant

☆ Low

★ Moderate

★★ Important

★★★ Very Important

Date	Event	Actual	Forecast	Prior
8:30AM	w/e Continued jobless claims (ml)	2.263	2.248	2.230
8:30AM	w/e Initial Jobless Claims (k)	284	279	277
8:30AM	Dec Export prices mm (%)	-1.1	-0.5	-0.6
8:30AM	Dec Import prices mm (%)	-1.2	-1.4	-0.4
1:00PM	30-Yr Bond Auction (bl)	13		
<b>Friday, Jan 15</b>				
8:30AM	Jan NY Fed manufacturing	-19.37	-4.00	-4.59
8:30AM	Dec Retail sales mm (%)	-0.1	0.0	0.2
<b>Monday, Jan 18</b>				
12:00AM	Martin Luther King Day			
<b>Tuesday, Jan 19</b>				
10:00AM	Jan NAHB housing market indx	60	61	61
4:00PM	Nov Foreign buying, T-bonds (bl)	+38.4		-55.2
<b>Wednesday, Jan 20</b>				
8:30AM	Dec Building permits: number (ml)	1.232	1.200	1.282
8:30AM	Dec CPI mm, sa (%)	-0.1	0.0	0.0
8:30AM	Dec Build permits: change mm (%)	-3.9		10.4
8:30AM	Dec Core CPI mm, sa (%)	+0.1	0.2	0.2
8:30AM	Dec Housing starts number mm (ml)	1.149	1.200	1.173
8:30AM	Dec Core CPI index, sa	244.45		244.14
<b>Thursday, Jan 21</b>				
8:30AM	Jan Philly Fed Business Index	-3.5	-5.0	-10.2
<b>Friday, Jan 22</b>				
10:00AM	Dec Exist. home sales % chg (%)	+14.7	8.9	-10.5
10:00AM	Dec Existing home sales (ml)	5.46	5.20	4.76
<b>Thursday, May 19</b>				
1:00PM	10yr TIPS Auction (bl)	11		

## Update: Buyer Broker Agreement

After requests from real estate companies, a nonprofit consumer watchdog group the Consumer Federation of America has developed a list of factors to consider when creating a buyer contract in preparation for upcoming practice changes in the industry.

CFA released its "Proposed Criteria for Evaluating Home Buyer Contract Forms" on Tuesday. The 15 criteria focus on the contracts' form – whether the documents are readable and understandable – and content – whether they are fair to homebuyers.

- the document's expiration date (CFA recommends buyers asks for a three-month contract and never sign one longer than six months)
- the right to terminate the contract
- the disclosure that compensation is negotiable
- the broker's compensation clearly stated and that the buyer broker can't receive additional compensation for facilitating a sale
- that any additional fees, such as for showing a home, will be deducted from the broker's commission if there is a successful sale
- that the commission is due only if there is a successful closing
- that buyers have an obligation – for no longer than 60 days, CFA recommends – to pay a broker who earlier showed them a home they purchased after the contract ended
- seller concessions paid directly to buyers
- dual agency not pre-approved by the contract
- an explanation of how a broker treats different buyer clients interested in the same property
- that buyers should not be required to first go through mediation or arbitration if they have a complaint

Contact me for more information. 702-303-0243 or TPayne@loandepot.com

We are a direct nationwide lender.  
EQUAL HOUSING LENDER

**Tom Payne**

