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## A More Realistic View of Stocks, Oil, and Interest Rates

Interest rates managed to find their footing this week after being pushed higher by last Friday's strong jobs report. That leaves them in the **same sideways range** that has persisted for weeks.

The longer these narrow ranges persist, the more speculation we see on the part of financial media about larger-than-average movements in either direction. All too often, the analysis starts and stops with **Stocks and Oil**.

For instance, if rates happen to move higher somewhat abruptly, financial media is quick to blame stocks and oil, provided that stocks and oil are also moving higher. **Unfortunately**, this relationship is **short-term** at best, and completely **irrelevant** at worst.

Yes, I just said the notion of stocks and oil prices correlating with interest rates could be irrelevant. If that sounds **blasphemous** to you, consider the following 2 charts showing the long term (**lack of**) correlation.

Stocks vs Bonds



## 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

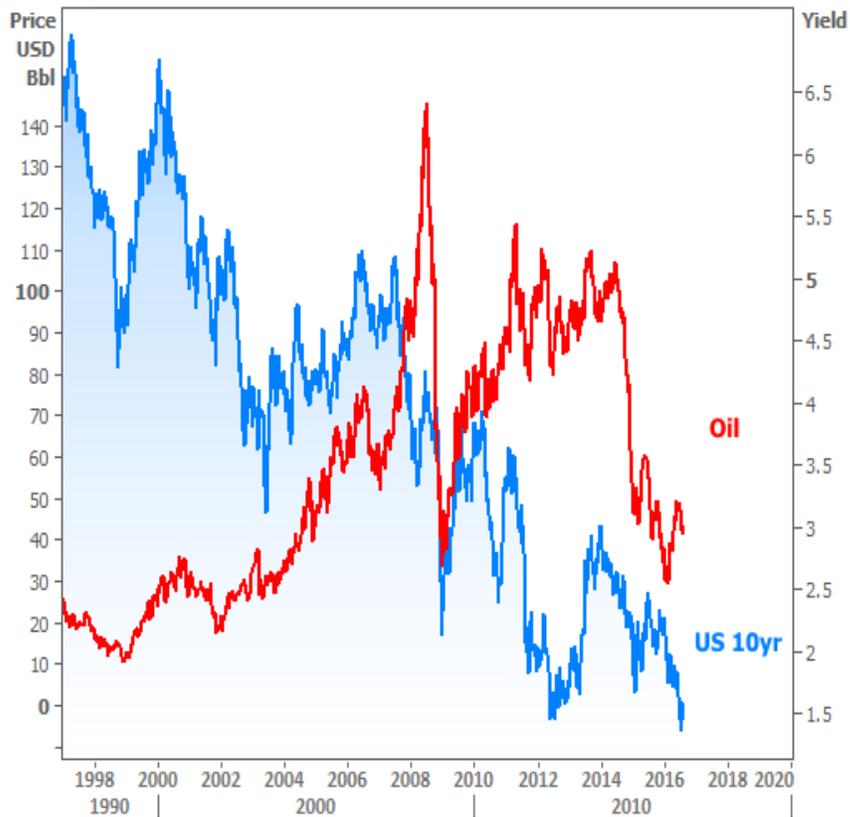
	Price / Yield	Change
MBS UMBS 5.5	99.51	+0.12
MBS GNMA 5.5	99.92	+0.15
10 YR Treasury	4.2296	-0.0229
30 YR Treasury	4.4547	-0.0178

Pricing as of: 7/23 8:51AM 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%

Oil vs Bonds



If it looks like rates and stocks have moved in exactly the opposite direction since 2009, **it's because they have!** The correlation with oil is slightly more defensible, but still far from relevant in the short term. It's currently receiving extra attention due to the massive drop in 2014, persistent weakness since then, and fear that prices will continue to fall.

Some would argue that low oil prices mean lower inflation (goods cost less to ship), thus preventing the Fed from hiking. Although this is an imperfect conclusion when it comes to short-term cause and effect, it gets us **much closer** to the heart of the matter, because it addresses market movement in the context of the Fed.

Two things and two things only are responsible for the big-picture move lower in rates: **global growth concerns** and the actions taken by **central banks** (like the Fed) to address them. The 10yr bond yields of the countries with the world's biggest and most active central banks tell the story:

Global 10yr Bond Yields



It's this big picture correlation--this global race to the lowest rates--that drives the long term trend lower. Short term trends toward higher rates are merely a **necessary byproduct** of the larger-scale downtrend. Sometimes, these moves higher in rates will line up with moves higher in oil and stocks, but it's central banks that will ultimately set the tone.

To that end, we have a bit of a lull between now and the next major dose of information from the Fed. The Jackson Hole symposium coming up at the end of the month is often viewed as a venue for **more candid communication** from the Fed. Markets are waiting to see if Yellen will give any solid clues about a Fed rate hike before the end of the year. The stronger that possibility becomes, the more of a pullback we could see in rates--especially if European and Japanese rates end up taking a break from their recent push to all-time lows.

### Housing-Specific News

While some might see it as a **sensational** story with the goal of indirect advertising, there's no question that a [Redfin article](#) got people talking this week. The gist is that "lots of people don't pay full pop for real estate commissions." Oh and by the way, Redfin doesn't charge sellers full pop.

Two separate reports came out regarding improvements in **distress/delinquency**--one from [CoreLogic](#) and one from the [Mortgage Bankers Association](#).

In separate news, the MBA pointed out a **surge in refi apps**--especially for **government** loans, and a normal seasonal stall in [New Home Sales](#).

Fannie Mae took a [deep dive](#) on examining **millennial homeownership** patterns.

Freddie Mac took a different approach, pointing out the marketing opportunity surrounding people who actually have homes and money: good old baby boomers.

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

## Recent Economic Data

Date	Event	Actual	Forecast	Prior
<b>Tuesday, Aug 09</b>				
10:00AM	Jun Wholesale inventories mm (%)	+0.3	0.0	0.0
1:00PM	3-Yr Note Auction (bl)	24		
<b>Wednesday, Aug 10</b>				
12:00AM	Roll Date - Fannie Mae 30YR, Freddie Mac 30YR			
7:00AM	w/e Mortgage Market Index	564.0		526.8
<b>Thursday, Aug 11</b>				
8:30AM	Jul Import prices mm (%)	+0.1	-0.3	0.2
8:30AM	Jul Export prices mm (%)	+0.2	0.0	0.8
8:30AM	w/e Initial Jobless Claims (k)	266	265	269
<b>Friday, Aug 12</b>				
8:30AM	Jul Retail sales mm (%)	0.0	0.4	0.6
<b>Monday, Aug 15</b>				
8:30AM	Aug NY Fed manufacturing	-4.21	2.50	0.55
10:00AM	Aug NAHB housing market indx	60	60	59
<b>Tuesday, Aug 16</b>				
8:30AM	Jul Housing starts number mm (ml)	1.211	1.180	1.189
8:30AM	Jul Core CPI index, sa	247.71		247.50
8:30AM	Jul CPI mm, sa (%)	0.0	0.0	0.2
8:30AM	Jul Building permits: number (ml)	1.152	1.160	1.153
9:15AM	Jul Industrial output mm (%)	+0.7	0.3	0.6
9:15AM	Jul Capacity utilization mm (%)	75.9	75.6	75.4
<b>Wednesday, Aug 17</b>				
12:00AM	Roll Date - Ginnie Mae 30YR			
<b>Thursday, Aug 18</b>				
8:30AM	Aug Philly Fed Business Index	2.0	2.0	-2.9
<b>Wednesday, Oct 12</b>				
1:00PM	10-yr Note Auction (bl)	20		
<b>Thursday, Oct 13</b>				
1:00PM	30-Yr Bond Auction (bl)	12		

## Event Importance:

No Stars = Insignificant

☆ Low

★ Moderate

★★ Important

★★★ Very Important

## 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](mailto:TPayne@loandepot.com)

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