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Markets Still Juggling Multiple Sources of Inspiration

Multiple sources of inspiration continued vying for the market's attention this week with no clear winners. Stocks remained fully locked in the same indecisive pattern that emerged last week. Rates, on the other hand, **may** be starting to choose a side.

US 10yr Yield



For rates, the **tipping point** was Wednesday's announcement from the Fed. Normally, we'd pay the most attention to the Fed meetings that result in a change to the Fed's policy stance (such as hiking/cutting rates, or changing the amount/pace of bond buying programs). This time around, markets were in general agreement that there would be no policy change, but the announcement was nonetheless seen as an important venue for clues about **future** policy changes.

With last month's jobs report being quite weak, and Q1 GDP coming in at a mere +0.7 percent, some traders were looking for the Fed to temper their recent enthusiasm. While the Fed did acknowledge some of the recent weakness in economic data, they offered **just as many counterpoints**, going so far as to characterize Q1 weakness "transitory." With that, traders who were hoping to see a gloomier Fed were forced to sell bonds, thus pushing rates

National Average Mortgage Rates



	Rate	Change	Points
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Mortgage News Daily

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	99.39	-0.01
MBS GNMA 5.5	99.78	+0.00
10 YR Treasury	4.2286	-0.0239
30 YR Treasury	4.4482	-0.0243

Pricing as of: 7/23 7:02AM EST

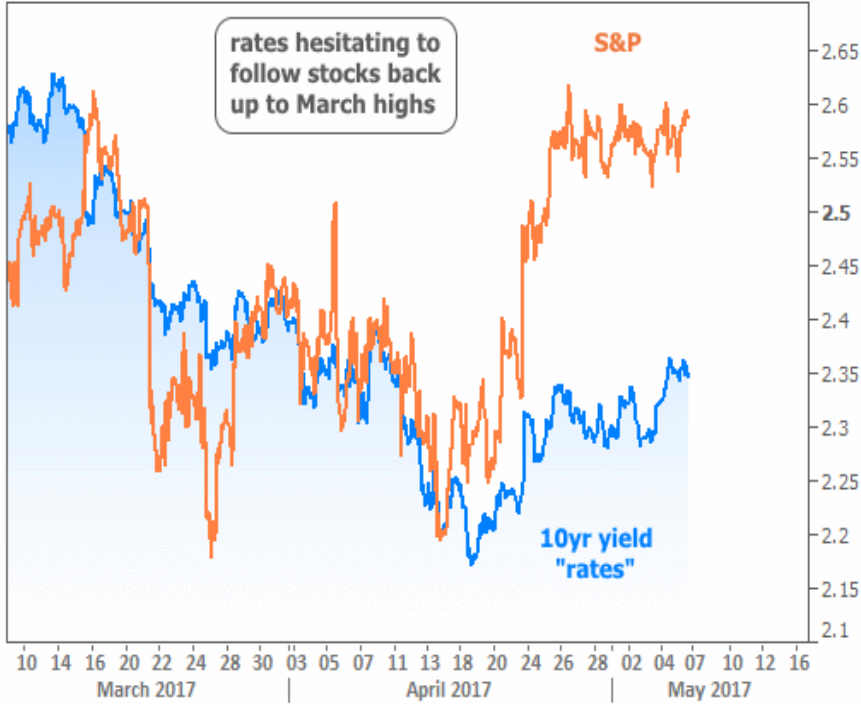
Recent Housing Data

		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%

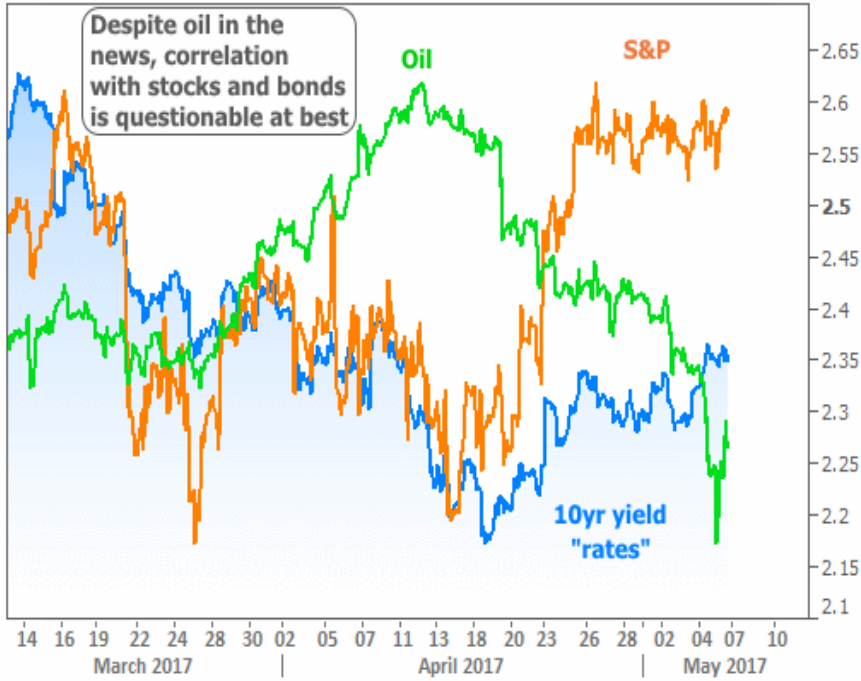
higher.

As dramatic as that sounds, it **wasn't enough** to break rates above the sideways trend seen in the first chart (red lines). Where did the extra push come from? Financial media paid most attention to oil prices, the House's passage of the new healthcare bill draft, and of course, stock market volatility. But more than any of those factors, it was European market movement that coaxed US rates higher.

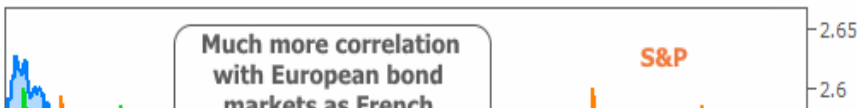
Stocks vs Bonds

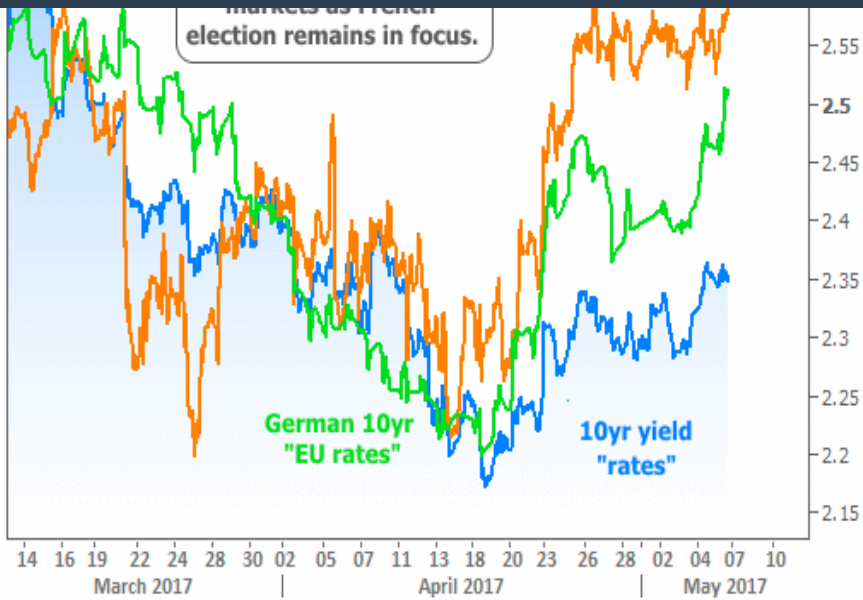


Stocks vs Bonds vs Oil



Stocks vs Bonds vs German Bonds





The late-April push toward higher rates in the EU was a factor of the first round of the French election. The candidate who might try to get France out of the EU (Le Pen) made it to the run-off, but so did Macron. If Le Pen won, stocks and rates **would have** fallen sharply, but Polls suggested Macron would handily win the upcoming run-off, so stocks and rates rose.

Investors were still entertaining the possibility that this week's presidential debates in France could **tip the balance** far enough back toward Le Pen to make this weekend's run-off a closer call (which would have been bad for stocks and good for rates). But polls remained fairly steady after the debate, with Macron maintaining a 63/37% lead. As such, European rates continued higher still.

By Monday morning, we'll have confirmation of the French election results, and while it's not the only market mover to consider, it will likely be worth a bit of extra pressure on interest rates. Unless another development speaks up in favor of lower rates (e.g. lousy economic data, botched fiscal reform in congress, or a geopolitical flare-up), **risks remain** in place that rates have entered a mild uptrend as seen in today's first chart.

In the bigger picture, rates really **haven't moved that much** for the average housing market stakeholder. We're talking about an eighth of a point (at most!) between the best and worst levels of the past few weeks. In general, rates have fared much better than most experts expected in 2017--a fact that's reflected in the recently strong housing data, as well as the ability for [mortgage applications](#) to hold their ground.

This week's most notable piece of housing-related data was [CoreLogic's Home Price Index](#). Reasonable rates teamed up with tight inventories to create a **7.1% year-over-year gain**. The index continues to outpace CoreLogic's own expectations, which pegged the current number at 5.2% a year ago.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Monday, May 01				
8:30AM	Mar Personal income mm (%)	+0.2	0.3	0.4
8:30AM	Mar Core PCE price index mm (%)	-0.1	-0.1	0.2
8:30AM	Mar Core PCE price index yy (%)	+1.6		1.8

Event Importance:

- No Stars = Insignificant
- ☆ Low
- ★ Moderate
- ★★ Important
- ★★★ Very Important

Date	Event	Actual	Forecast	Prior
10:00AM	Apr ISM Manufacturing PMI	54.8	56.5	57.2
10:00AM	Mar Construction spending (%)	-0.2	0.4	0.8
Wednesday, May 03				
8:15AM	Apr ADP National Employment (k)	177.0	175	263
10:00AM	Apr ISM N-Mfg PMI	57.5	55.8	55.2
2:00PM	N/A FOMC rate decision (%)	0.75-1.00	0.875	0.875
Thursday, May 04				
8:30AM	Q1 Productivity Preliminary (%)	-0.6	0.0	1.3
8:30AM	Q1 Labor Costs Preliminary (%)	+3.0	2.5	1.7
8:30AM	Mar International trade mm \$ (bl)	-43.7	-44.5	-43.6
8:30AM	w/e Initial Jobless Claims (k)	238	245	257
10:00AM	Mar Factory orders mm (%)	+0.2	0.4	1.0
Friday, May 05				
8:30AM	Apr Non-farm payrolls (k)	+211	185	98
8:30AM	Apr Private Payrolls (k)	+194	185	89
8:30AM	Apr Unemployment rate mm (%)	4.4	4.6	4.5
8:30AM	Apr Manufacturing payrolls (k)	+6	10	11
8:30AM	Apr Average earnings mm (%)	+0.3	0.3	0.2
Tuesday, May 09				
10:00AM	Mar Wholesale inventories mm (%)	+0.2	-0.1	-0.1
1:00PM	3-Yr Note Auction (bl)	24		
Wednesday, May 10				
7:00AM	w/e Mortgage Market Index	415.7		405.8
8:30AM	Apr Import prices mm (%)	+0.5	0.2	-0.2
8:30AM	Apr Export prices mm (%)	+0.2	0.1	0.2
Thursday, May 11				
8:30AM	Apr Producer Prices (%)	+0.5	0.2	-0.1
8:30AM	Apr Core Producer Prices YY (%)	+1.9	1.7	1.6
Friday, May 12				
8:30AM	Apr Retail sales mm (%)	0.4	0.6	-0.2
8:30AM	Apr CPI mm, sa (%)	+0.2	0.2	-0.3
8:30AM	Apr Core CPI Year/Year (%)	+1.9	2.0	2.0
10:00AM	Mar Business inventories mm (%)	+0.2	0.1	0.3
10:00AM	May Consumer Sentiment Prelim	97.7	97.0	97.0
Wednesday, Jul 12				
1:00PM	10-yr Note Auction (bl)	20		
Thursday, Jul 13				
1:00PM	30-Yr Bond Auction (bl)	12		

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

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