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Resilient Housing Data and Record Stock Prices Ahead of Long Weekend

While Columbus Day no longer marks a 3-day weekend for everyone, financial markets will be **closed until Tuesday**. It's not uncommon to see market volatility increase ahead of 3-day weekends and this one was no exception.

The week's most notable development was an impressive winning streak for stocks. The S&P 500 hit **record highs** for a 6th straight day before finally leveling-off on Friday.

Soaring stocks frequently coincide with rising rates. While that's generally held true in recent weeks, housing and mortgage markets have been surprisingly resilient.

In fact, through Wednesday, rates had actually **improved** on the week. Things changed on Thursday when Congress approved a budget blueprint paving the way for an eventual tax bill. This resulted in a huge move higher for stocks, but rates managed to hold their ground fairly well. After some volatility surrounding Friday's jobs report, rates drifted only slightly higher to end the week.

National Average Mortgage Rates



	Rate	Change	Points
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

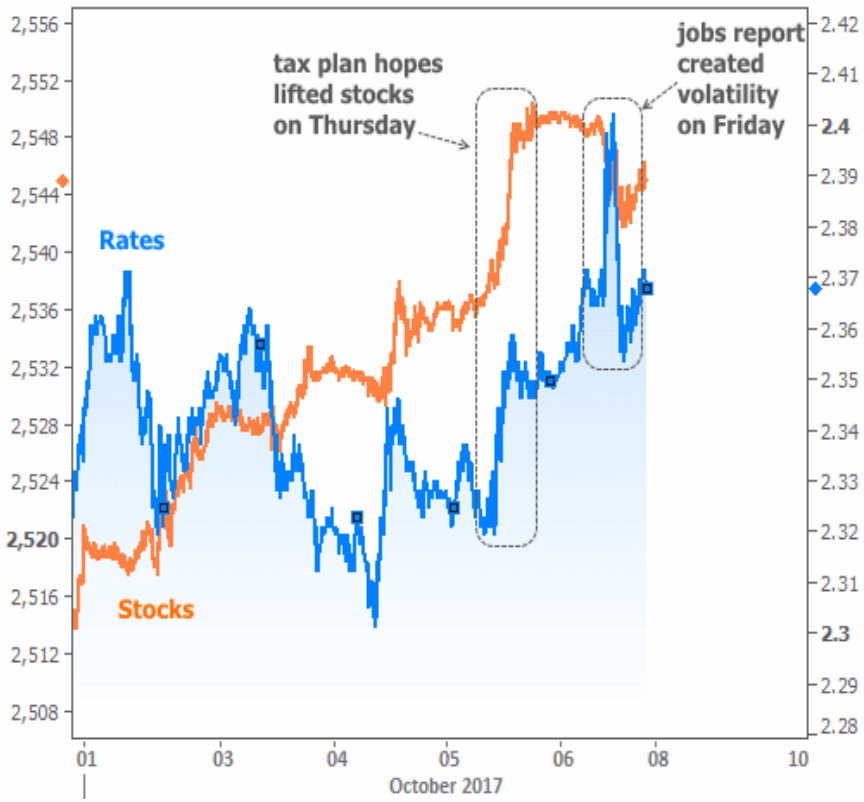
Market Data

	Price / Yield	Change
MBS UMBS 5.5	99.39	-0.01
MBS GNMA 5.5	99.78	+0.00
10 YR Treasury	4.2393	-0.0132
30 YR Treasury	4.4594	-0.0131

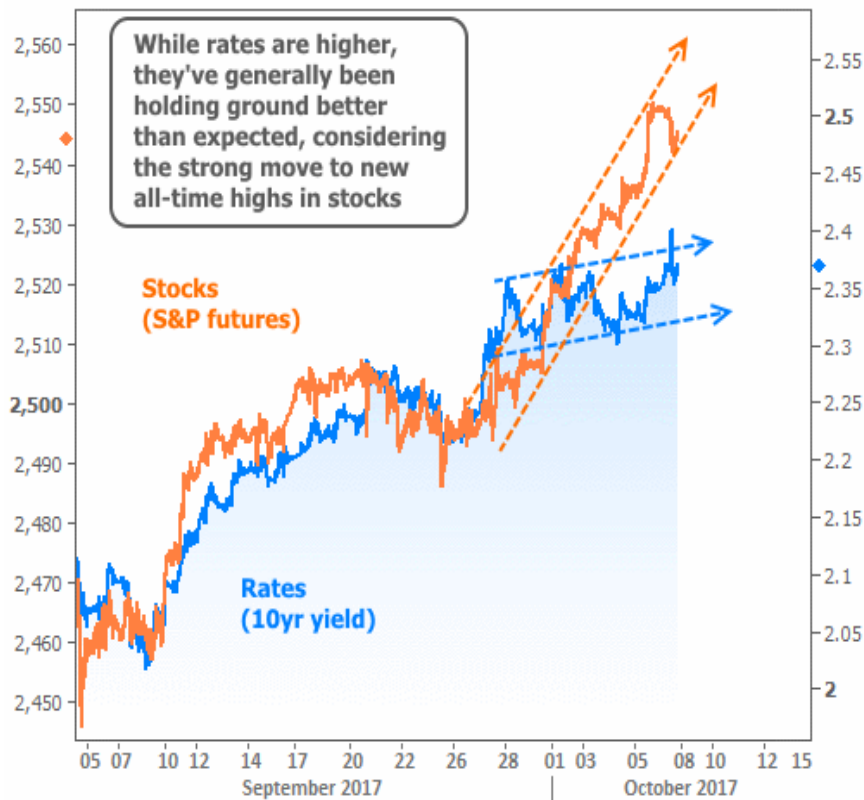
Pricing as of: 7/23 5:00AM EST

Recent Housing Data

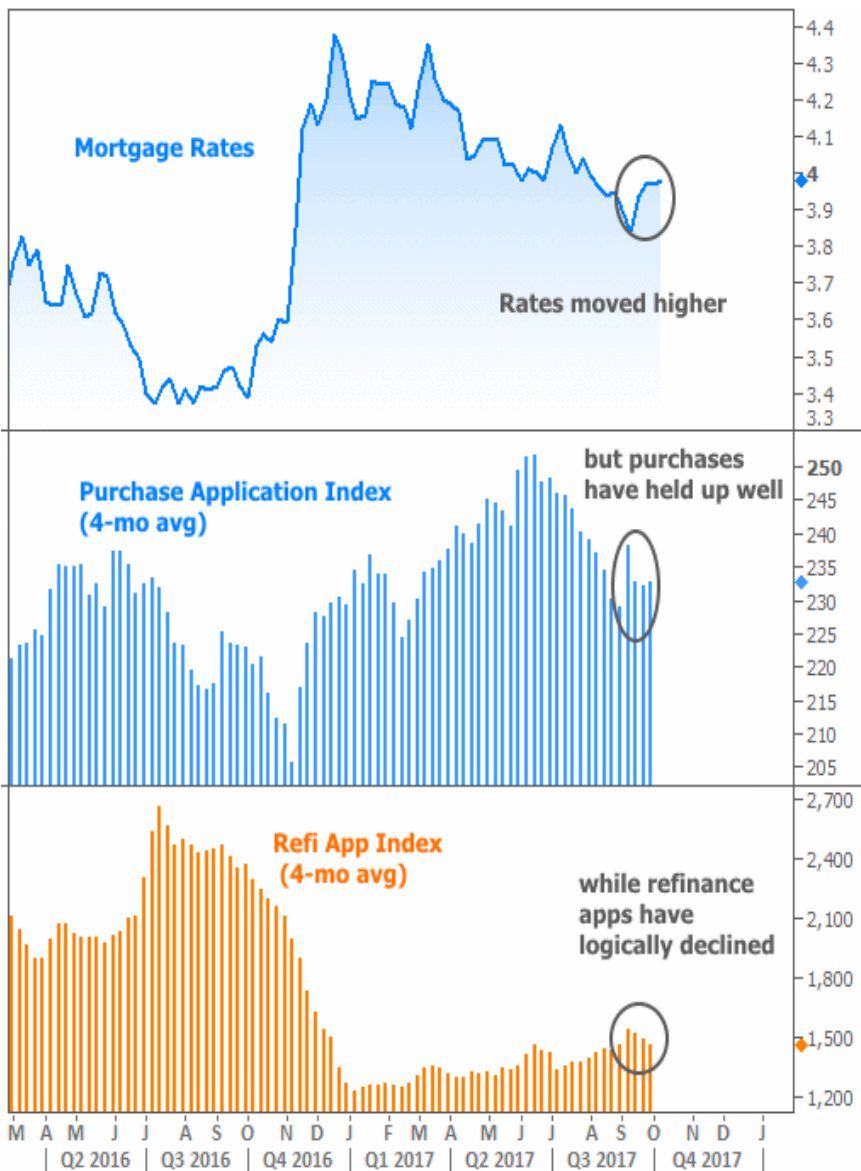
		Value	Change
Mortgage Apps	Jul 10	206.1	-0.19%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%
Builder Confidence	Mar	51	+6.25%



Even if we zoom out to a bigger picture view, rates haven't been moving higher **nearly** as fast as stocks might suggest.

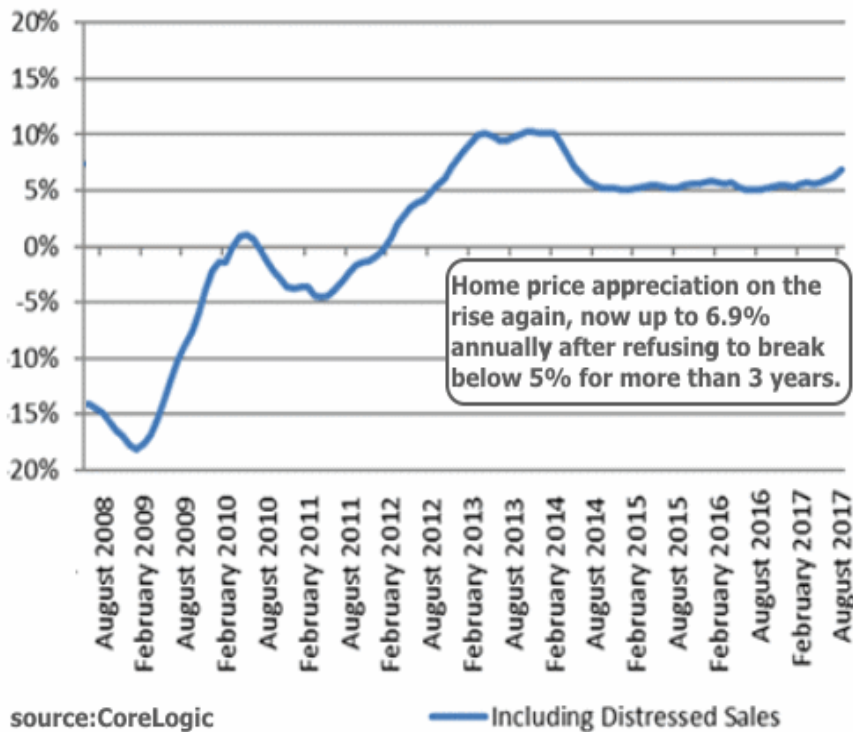


Shifting gears from "rates in general" to **mortgage rates** specifically, most indices continue showing the average conventional 30yr fixed rate just under 4% for top tier scenarios. The recent move higher has taken a logical toll on refinance applications, but purchase applications have been doing a good job of picking up the slack.



Some broader housing metrics are **even more encouraging**. CoreLogic updated its Home Price Index (HPI) this week, showing an impressive jump in annual appreciation from 6.7% to 6.9%. Even though the firm notes that nearly half of the biggest housing markets are overvalued, CoreLogic nonetheless expects price growth of 4.7% over the next 12 months.

HPI Percentage Change Year over Year



The holiday-shortened week ahead brings several important economic reports and developments that could help shape the outlook for interest rates. The **highlight** will be the Consumer Price Index (CPI)--a key measure of inflation.

The Fed would like to see the Core annual rate of inflation at 2% or higher. According to CPI data, it's held at 1.7% since June, but economists are forecasting a move up to 1.8% when next week's data is released on **Friday the 13th**.

Even that mere 0.01% would be **plenty scary** for bond markets, likely making it tough for mortgage rates to move lower. But if CPI falls short of expectations, it could provide a clear signal for rates to recover some of their recent losses.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Monday, Oct 02				
10:00AM	Aug Construction spending (%)	+0.5	0.4	-0.6
10:00AM	Sep ISM Manufacturing PMI	60.8	58.0	58.8
10:00AM	Sep ISM Mfg Prices Paid	71.5	64.0	62
Wednesday, Oct 04				
7:00AM	w/e Mortgage Refinance Index	1419.2		1445.6
7:00AM	w/e MBA Purchase Index	233.4		231
8:15AM	Sep ADP National Employment (k)	135.0	125	237
10:00AM	Sep ISM N-Mfg PMI	59.8	55.5	55.3
Thursday, Oct 05				

Event Importance:

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

Date	Event	Actual	Forecast	Prior
8:30AM	Aug International trade mm \$ (bl)	-42.4	-42.7	-43.7
8:30AM	w/e Jobless Claims (k)		268	272
10:00AM	Aug Factory orders mm (%)	+1.2	1.0	-3.3
Friday, Oct 06				
8:30AM	Sep Non-farm payrolls (k)	-33	90	156
8:30AM	Sep Unemployment rate mm (%)	4.2	4.4	4.4
8:30AM	Sep Average earnings mm (%)	+0.5	0.3	0.1
10:00AM	Aug Wholesale inventories mm (%)	0.9	1.0	1
Monday, Oct 09				
12:00AM	Columbus Day			
Wednesday, Oct 11				
7:00AM	w/e Mortgage Market Index			414
11:30AM	3-Yr Note Auction (bl)	24		
1:00PM	10-yr Note Auction (bl)	20		
Thursday, Oct 12				
8:30AM	Sep Core Producer Prices YY (%)	2.2	2.0	2.0
8:30AM	Aug Producer Prices (%)		0.3	-0.1
1:00PM	30-Yr Bond Auction (bl)	12		
Friday, Oct 13				
8:30AM	Sep Retail Sales (%)	1.6	1.7	-0.2
8:30AM	Sep CPI mm, sa (%)	0.5	0.6	0.4
8:30AM	Sep Core CPI Year/Year (%)	1.7	1.8	1.7
10:00AM	Oct Consumer Sentiment	101.1	95.0	95.1
10:00AM	Aug Business Inventories (%)			0.2

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

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