



**Tom Payne**

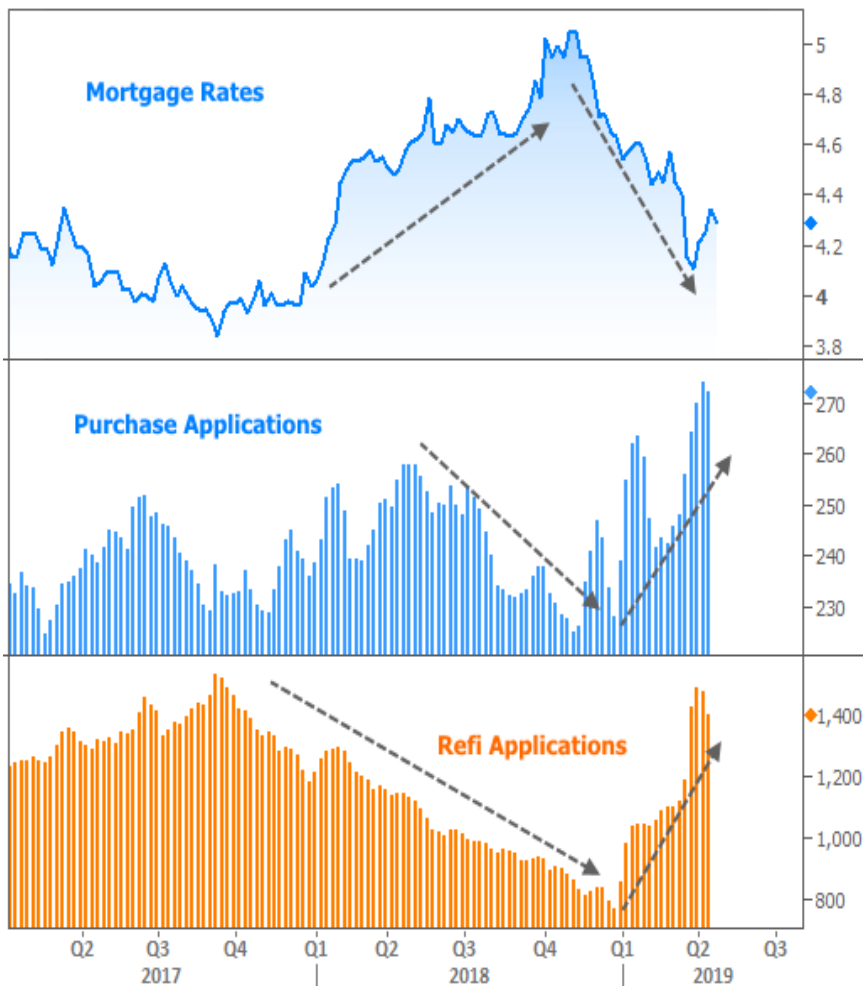
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## Housing Market Gearing Up For a Big Week Ahead

To understand what's at stake in the week ahead, we need to understand where we are and where we've been. With that in mind, here's a **quick recap** of the past year or so in global macroeconomics.

Rates were near long-term highs in the first part of 2018 following the passage of the tax bill and generally strong economic data. As seen in the following charts, this took a toll on loan applications, home sales and eventually on **home values**.



## 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

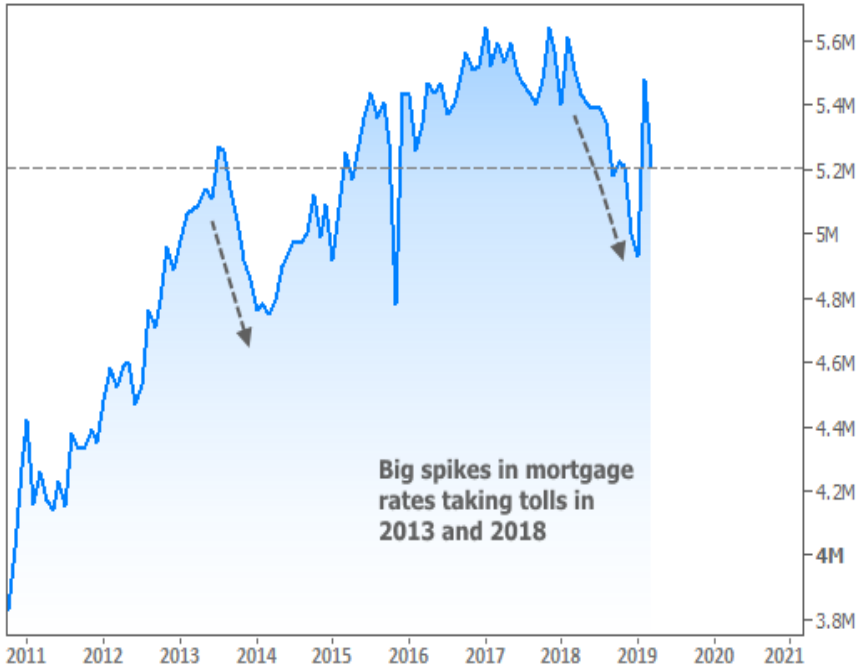
	Price / Yield	Change
MBS UMBS 5.5	99.39	-0.01
MBS GNMA 5.5	99.78	+0.00
10 YR Treasury	4.2379	-0.0146
30 YR Treasury	4.4561	-0.0164

Pricing as of: 7/23 12:38AM EST

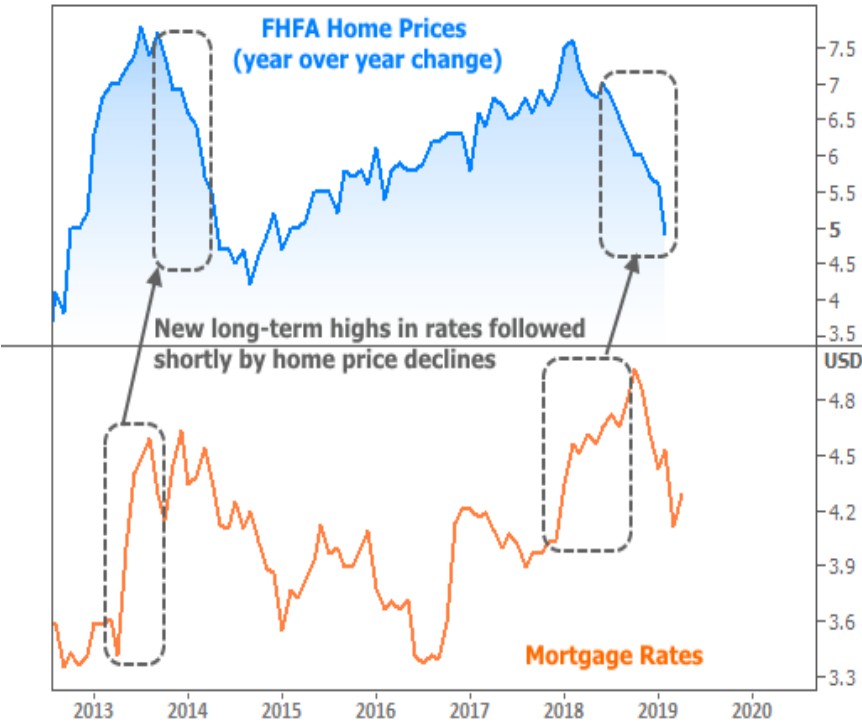
## Recent Housing Data

		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%

Existing Home Sales

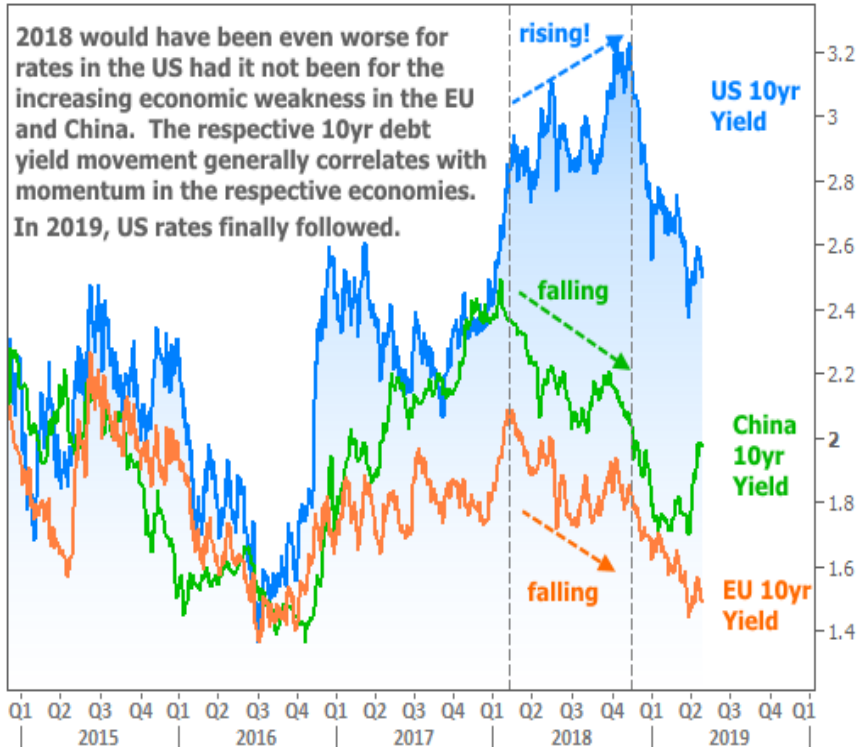


Rates vs Prices



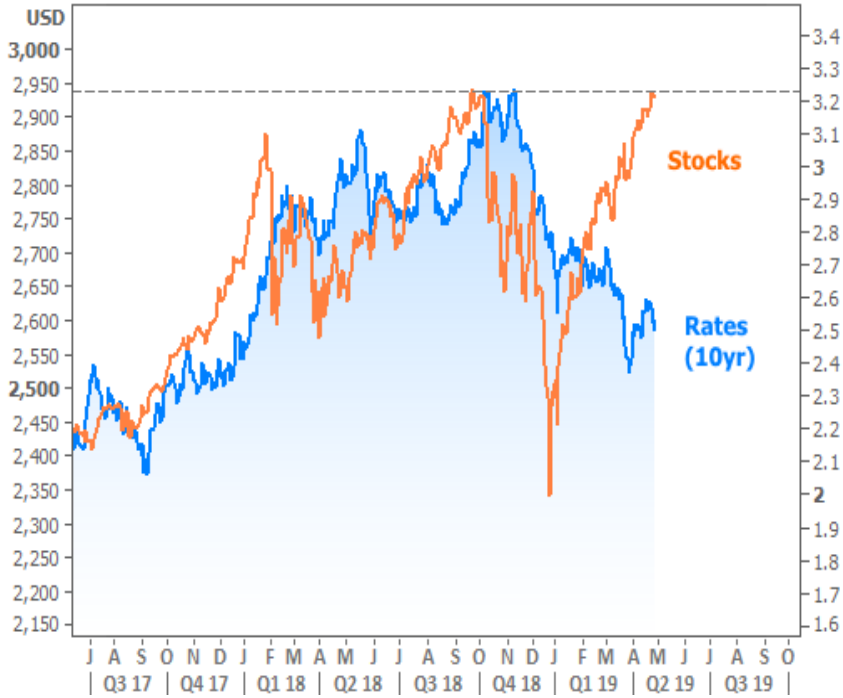
Rates surged to new long term highs in October and November due to ongoing improvement in US econ data among other things. At the same time, concerns were mounting about economic contractions in Europe and China. The following chart shows how debt yields (a proxy for economic momentum) were falling in those two economies while US yields were still rising.

US vs EU vs China



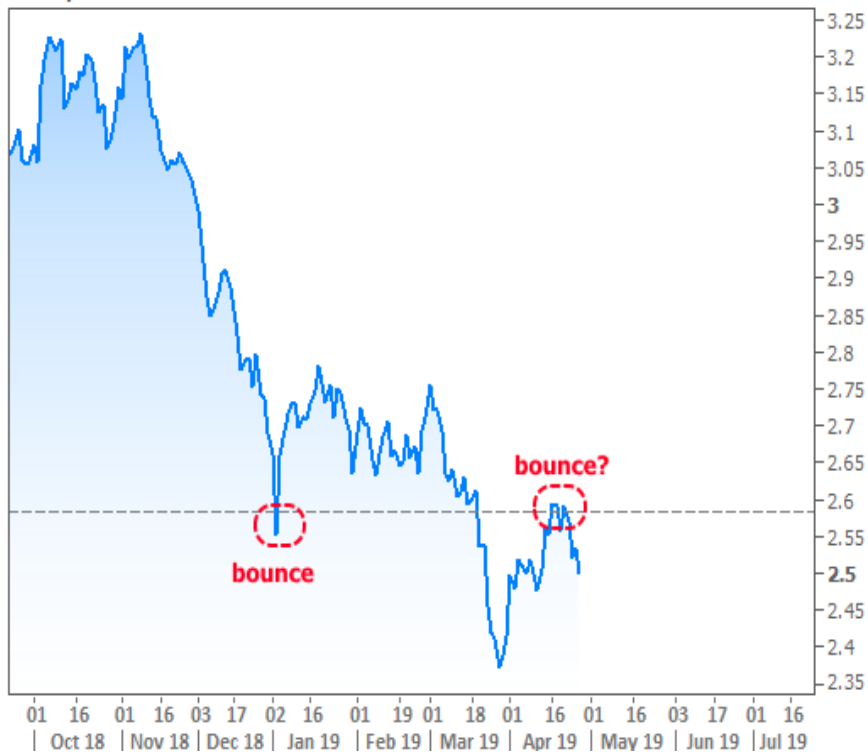
Eventually, the slump in foreign economies combined with a tough stance on rates from the Fed led US markets to follow suit. Stocks and rates **dropped abruptly** before the Fed stepped in and drastically softened its tone in January. That helped stocks recover and kept the good times rolling for rates (a softer tone from the Fed means rate hikes are less likely).

Rates vs Stocks



For several reasons, rates surged **even lower** by the end of March--so low that a correction was likely. It's **that** move higher in rates that we've been discussing for the past few weeks and it got even more interesting this week. Long story short, rates have been willing to recover a bit and hold their ground inside the new, lower range achieved in March. Until this week, it looked like they might be moving back into 2019's previous range.

US 10yr Yield



Throughout this volatile move, interest rates have been settling into a relationship with economic data. At times, it's been **too hot** (i.e. rates have been overly reactive) or **too cold** (i.e. rates haven't cared about some reports that normally matter). Recently, it's been **just right** (i.e. rates are paying close attention to the data, but the reactions have been tempered).

One reason for tempered reactions is that we haven't had a ton of important economic data in the past few weeks. But that all changes next week. Not only is the calendar packed on any given day, but the reports in question are typically the biggest market movers.

In and of itself, that would be enough reason to plan for potential volatility, but the data will also be joined by the Fed with a **new policy announcement** on Wednesday. Given how surprised markets were by the March 20th announcement, there's a decent chance of meaningful changes in next week's update.

Of course, the Fed **could** end up being interpreted as fairly neutral and the economic reports could be the right mix of stronger and weaker such that rates don't end up too far from current levels. But if the data is **unified** in its message, and **especially** if the Fed's message is in the same vein, it would likely result in the **biggest move in rates** in more than a month, for better (in the case of a friendly Fed and weak economic data) or worse (in the case of a hawkish Fed and strong data).

After Wednesday, all eyes will be Friday's big data combo with the jobs report 830am ET (Non-farm payrolls) and ISM's Non-Manufacturing index at 10am.

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## Recent Economic Data

## Event Importance:

Date	Event	Actual	Forecast	Prior
<b>Monday, Apr 22</b>				
10:00AM	Mar Existing home sales (ml)	5.21	5.30	5.51
10:00AM	Mar Exist. home sales % chg (%)	-4.9	-3.8	11.8
<b>Tuesday, Apr 23</b>				
9:00AM	Feb Monthly Home Price yy (%)	4.9		5.6
9:00AM	Feb Monthly Home Price mm (%)	0.3		0.6
10:00AM	Mar New home sales-units mm (ml)	0.692	0.650	0.667
10:00AM	Mar New home sales chg mm (%)	4.5	-2.5	4.9
<b>Wednesday, Apr 24</b>				
7:00AM	w/e Mortgage Refinance Index	1293.0		1453.0
7:00AM	w/e MBA Purchase Index	269.3		280.7
<b>Thursday, Apr 25</b>				
8:30AM	Mar Durable goods (%)	2.7	0.8	-1.6
8:30AM	w/e Jobless Claims (k)	230	214	192
<b>Friday, Apr 26</b>				
8:30AM	Q1 GDP Advance (%)	3.2	2.0	2.2
10:00AM	Apr Consumer Sentiment (ip)	97.2	97.0	96.9
<b>Monday, Apr 29</b>				
8:30AM	Mar Core PCE Inflation (y/y) (%)	+1.6	1.7	1.7
<b>Tuesday, Apr 30</b>				
9:00AM	Feb CaseShiller 20 yy (%)	+3.0	3.2	3.6
9:45AM	Apr Chicago PMI	52.6	59.0	58.7
10:00AM	Mar Pending Sales Index	105.8		101.9
10:00AM	Mar Pending Home Sales (%)	+3.8	1.1	-1.0
10:00AM	Apr Consumer confidence	129.2	126.0	124.1
<b>Wednesday, May 01</b>				
7:00AM	w/e Mortgage Refinance Index	1228.3		1293.0
7:00AM	w/e MBA Purchase Index	259.4		269.3
8:15AM	Apr ADP National Employment (k)	+275	180	129
10:00AM	Apr ISM Manufacturing PMI	52.8	55.0	55.3
10:00AM	Mar Construction spending (%)	-0.9	0.1	1.0
2:00PM	N/A FOMC rate decision (%)	2.25 - 2.50	2.375	2.375
<b>Thursday, May 02</b>				
8:30AM	Q1 Labor Costs Preliminary (%)	-0.9	1.5	2.0
8:30AM	Q1 Productivity Preliminary (%)	3.6	2.2	1.9
8:30AM	w/e Jobless Claims (k)	230	215	230
9:45AM	Apr ISM-New York index	882.8		869.1
10:00AM	Mar Factory orders mm (%)	+1.9	1.5	-0.5
<b>Friday, May 03</b>				

No Stars = Insignificant

☆ Low

★ Moderate

★★ Important

★★★ Very Important

Date	Event	Actual	Forecast	Prior
8:30AM	Apr Non-farm payrolls (k)	+263	185	196
8:30AM	Apr Unemployment rate mm (%)	3.6	3.8	3.8
10:00AM	Apr ISM N-Mfg PMI	55.5	57.0	56.1

## 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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