



Tom Payne

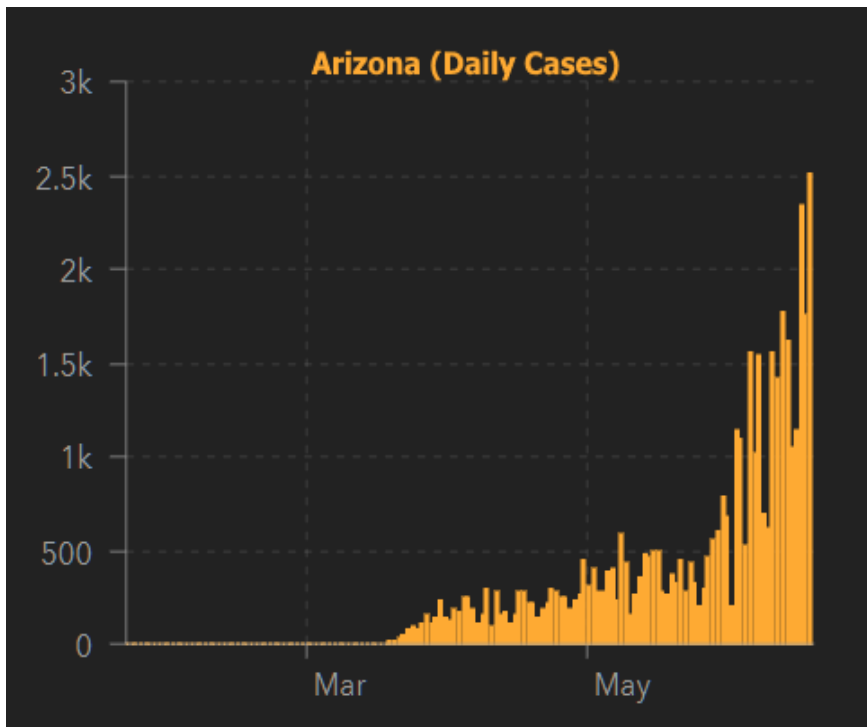
Senior Loan Consultant, loanDepot
 NMLS# 1017004 #174457 Licensed in all 50 States
 2835 St. Rose Parkway, Suite 120 Henderson, NV 89052

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

The Great Debate for Rates, Housing, and Markets

Coronavirus hit markets with unprecedented force in March. Stock prices and bond yields sank. When the outlook grew less dire, markets began moving back in the other direction. As quarantine measures ease, fear surrounding a second wave of COVID-19 is **pushing back** on the recovery in markets.

Let's quantify the fear using daily COVID-19 case counts in several key states.



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

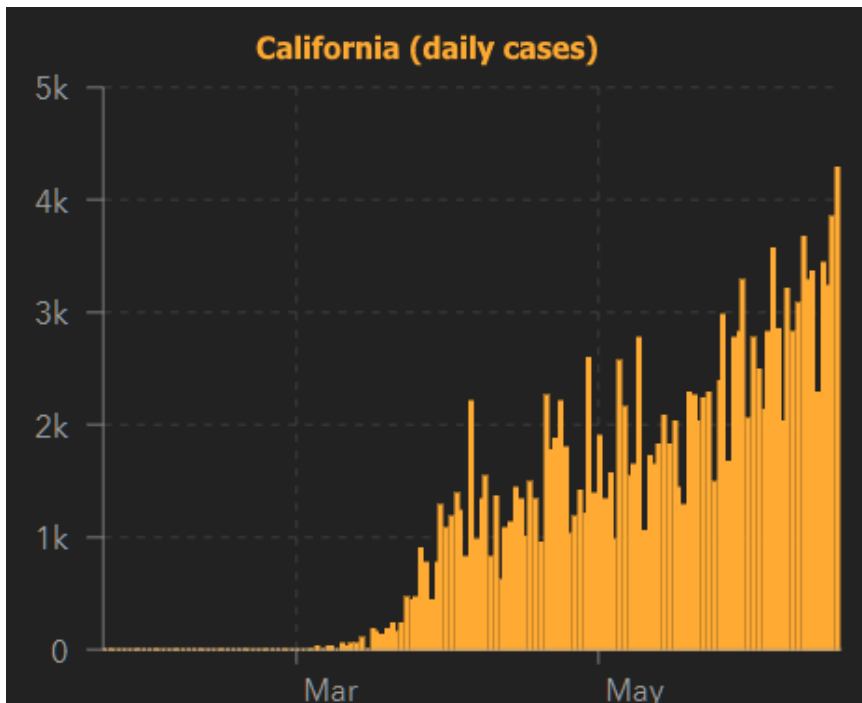
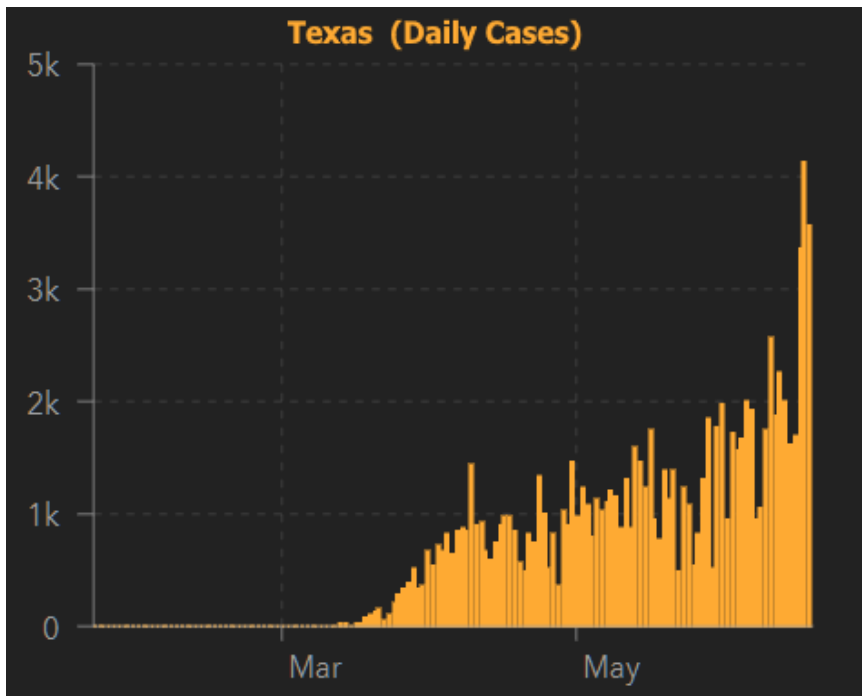
Market Data

	Price / Yield	Change
MBS UMBS 5.5	99.39	-0.01
MBS GNMA 5.5	99.78	+0.00
10 YR Treasury	4.2403	-0.0122
30 YR Treasury	4.4580	-0.0145

Pricing as of: 7/22 10:46PM 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%



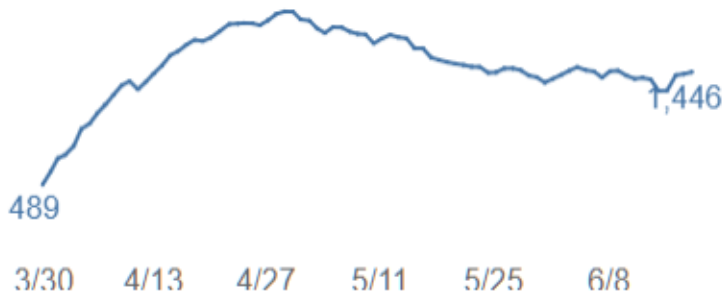
There's no question that these trends are alarming at face value, but the **implications can vary** quite a bit due to increased testing. We can get a clearer sense of the risks by looking at hospitalization data.

For example, the **seemingly dire** situation in California looks quite different based on LA County hospitalizations. Numbers remain elevated, but they're not rising nearly as fast as case counts.

Positive COVID-19 Patients

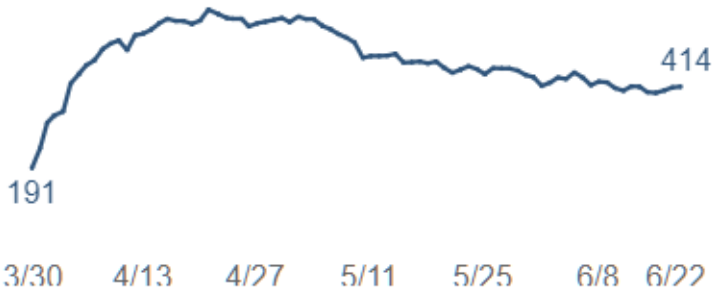
1,446 +17
+1.2%

Los Angeles
County

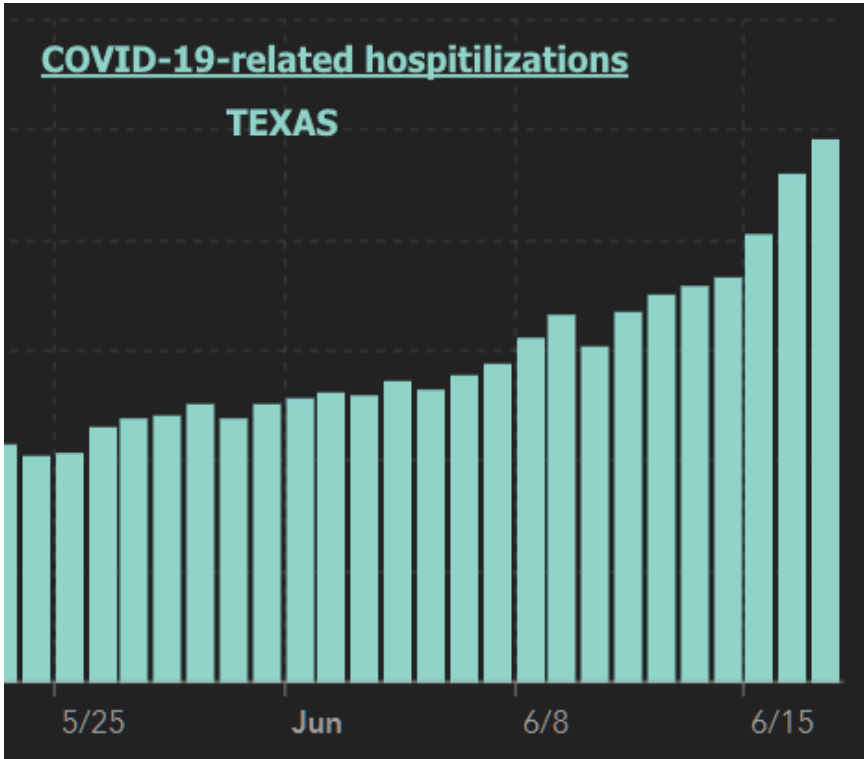


ICU Positive COVID-19 Patients

414 +2
+0.5%

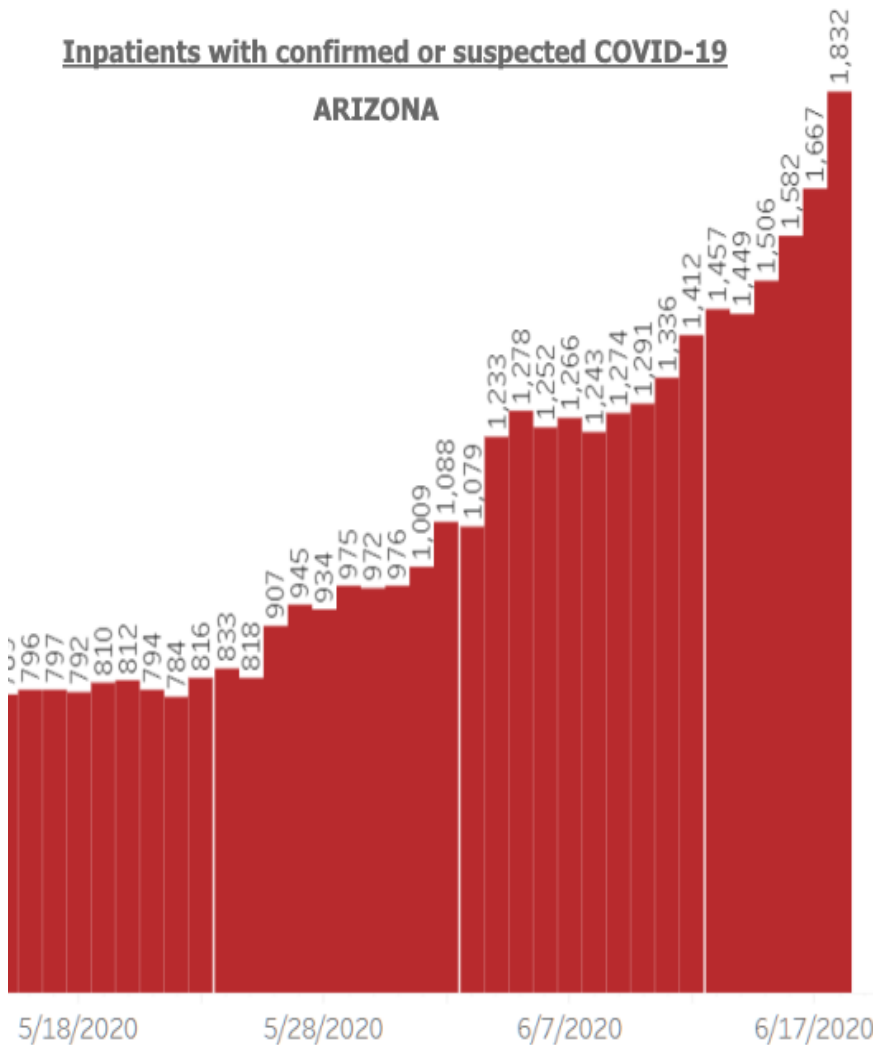


In Texas and Arizona, however, hospitalizations confirm the negative trends.



Inpatients with confirmed or suspected COVID-19

ARIZONA

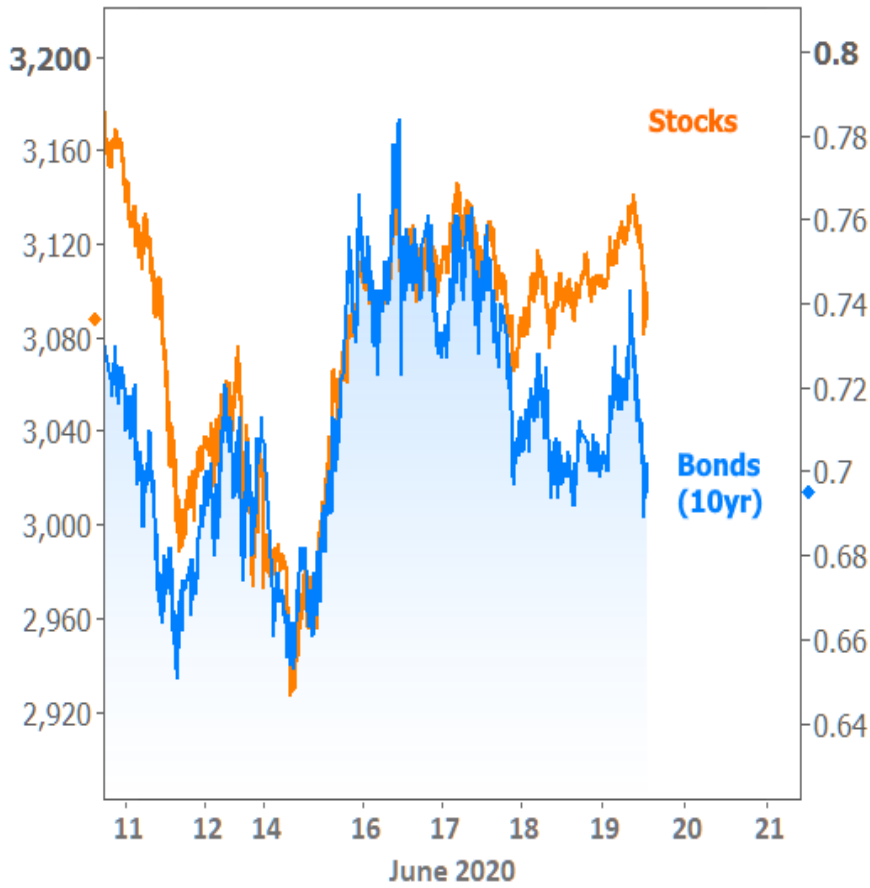


This data raises more questions than it answers, and it's at the heart of why markets are entering a highly uncertain time. Simply put, panic and defensiveness were absolutely the right calls in March. And some level of optimism was clearly warranted after that. In other words, it **made sense** to see stocks and bond yields tank in March and then move higher.

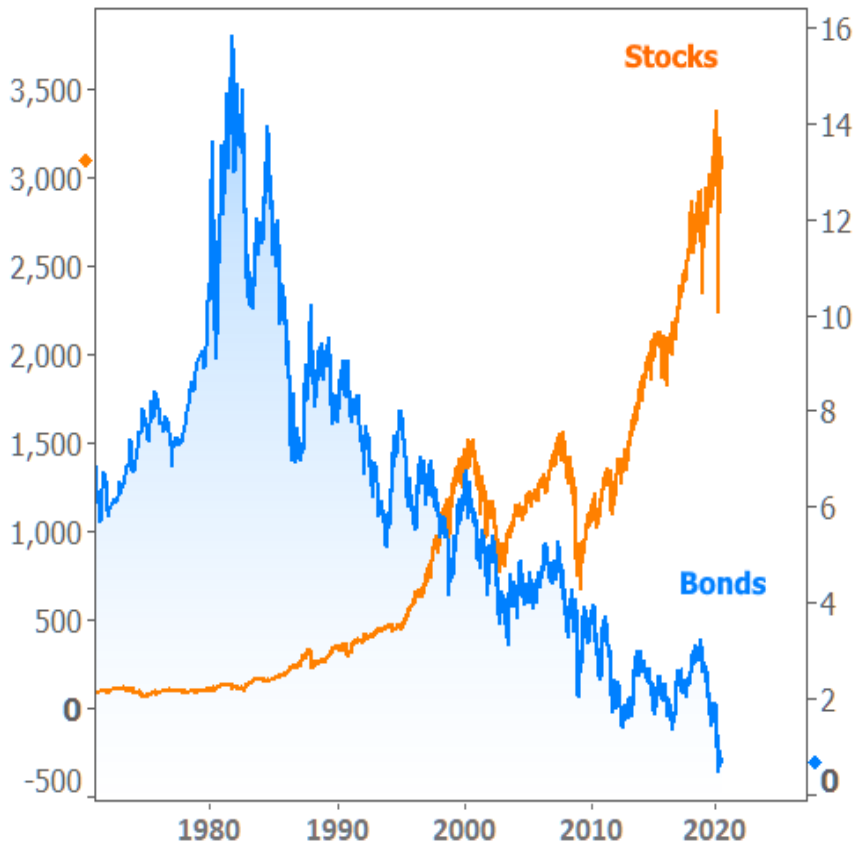
But **now what?** After attempting to run higher in early June, both stocks and bonds fell abruptly 2 weeks ago. This coincided with a ramp up in concerns about a second wave of COVID-19 impacts. Are we standing on the brink of a market reversal or merely trying to find the right balance between economic reopenings and public health risk?



To whatever extent markets trade the "2nd wave" narrative, we could see stocks and bonds try to move below the dotted lines in the chart above. No matter where they go, they're **increasingly likely** to take cues from each other (i.e. stock prices and bond yields moving in the same direction). This is easiest to see over shorter periods of time.

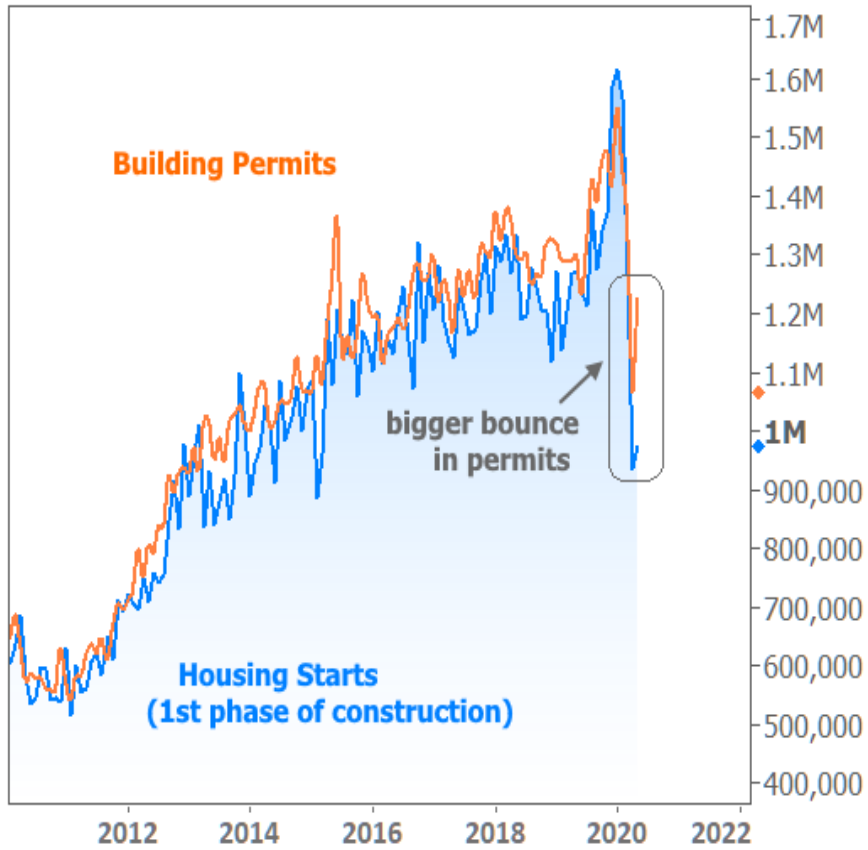


And no reference to stock/bond correlation would be complete without a reminder that one should **never** expect this relationship to play out in the longer term:

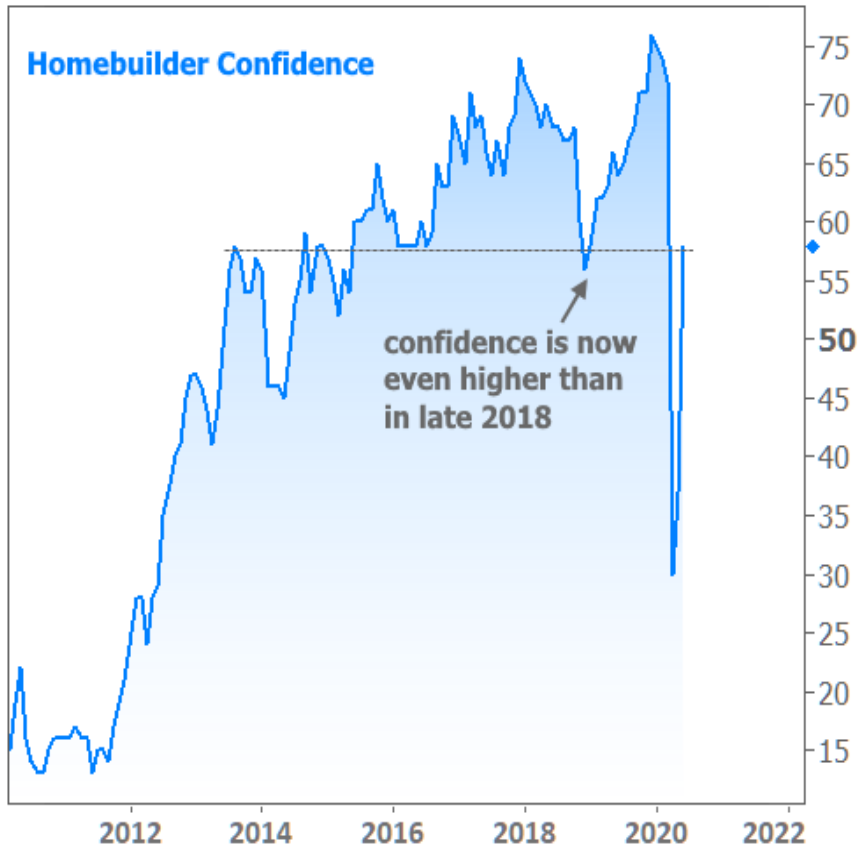


Financial markets are one thing, but how about the **housing and mortgage** markets? This week brought data on new home construction as well as builder confidence. The numbers speak to optimism about the future while still conveying the ill effects of the present.

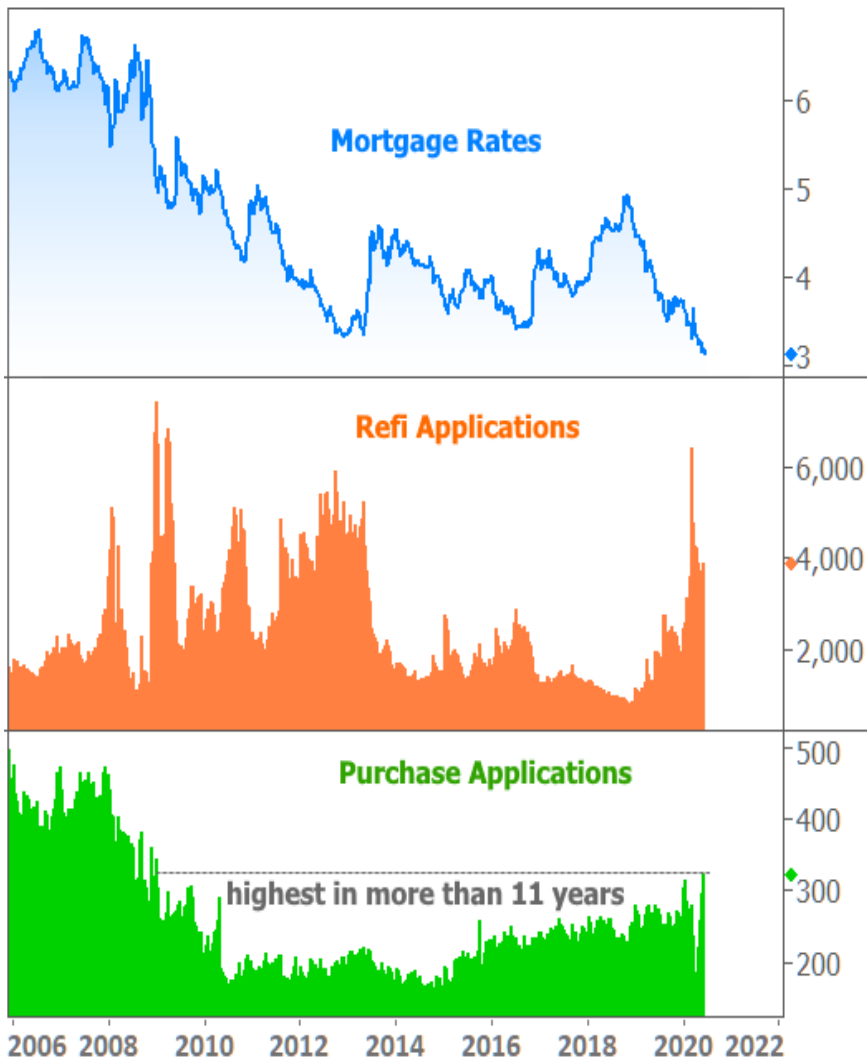
Specifically, "Housing Starts" which measure the actual ground-breaking phase of construction, are still noticeably **depressed** relative to previous levels. Meanwhile, Building Permits bounced back in **grand fashion** (up 14.4% in May and April's 21% loss was revised to only a 5.7% loss). Neither are back to pre-covid levels, but permits are close.



It's no surprise, then, to find that **builder confidence soared** in the National Association of Home Builder's latest survey. Notably, this survey data was collected well **after** the Housing Starts data in the chart above. As such, it may suggest a stronger bounce in construction next month.



Are builders participating in reality or is this **false hope**? If the weekly mortgage application data from the Mortgage Bankers Association is any indication, optimism is justified. Purchase applications were as high as they've been since late 2008!



The chart above brings **another question** into focus: how much of the strength in the housing market is due to mortgage rates holding near all-time lows? Unequivocally, rates are helping housing numbers reach higher than they otherwise would be, but keep in mind, mortgages are much harder to get for certain scenarios right now. Beyond that, the home shopping process has challenges of its own that are keeping some would-be buyers sidelined for a bit longer.

The **takeaway** is that the bounce back in housing numbers is just like the bounce back in many other sectors of the economy. Things got bad enough that there was simply plenty of room for improvement.

No one is saying "everything's fine now... back to business as usual!" Rather, many things are just quite a bit better than they were--so much so that we're now in a position to debate whether the recovery narrative continues or cools off. That's a debate that will remain open as long as COVID-19 numbers are pushing back on states' lifting of quarantine measures.

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

Recent Economic Data

Date	Event	Actual	Forecast	Prior
Monday, Jun 15				
8:30AM	Jun NY Fed Manufacturing	-0.2	-29.80	-48.50

Event Importance:

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

★★ Very Important

Date	Event	Actual	Forecast	Prior
Tuesday, Jun 16				
8:30AM	May Retail Sales (%)	17.7	8.0	-16.4
9:15AM	May Industrial Production (%)	1.4	2.9	-11.2
10:00AM	Apr Business Inventories (%)	-1.3	-0.8	-0.2
10:00AM	Jun NAHB housing market indx	58	45	37
Wednesday, Jun 17				
7:00AM	w/e MBA Purchase Index	322.5		311.7
7:00AM	w/e Mortgage Refinance Index	3891.5		3529.0
8:30AM	May House starts mm: change (%)	4.3		-30.2
8:30AM	May Build permits: change mm (%)	14.4		-21.4
8:30AM	May Building permits: number (ml)	1.220	1.228	1.066
8:30AM	May Housing starts number mm (ml)	0.974	1.095	0.891
Thursday, Jun 18				
8:30AM	Jun Philly Fed Business Index	27.5	-23.0	-43.1
8:30AM	w/e Jobless Claims (k)	1508	1300	1542
10:00AM	May Leading index chg mm (%)	2.8	2.3	-4.4
Monday, Jun 22				
10:00AM	May Existing home sales (ml)	3.91	4.12	4.33
10:00AM	May Exist. home sales % chg (%)	-9.7	-3.0	-17.8
Tuesday, Jun 23				
10:00AM	May New home sales-units mm (ml)	0.676	0.640	0.623
10:00AM	May New home sales chg mm (%)	16.6	2.9	0.6
Wednesday, Jun 24				
7:00AM	w/e MBA Purchase Index	312.7		322.5
7:00AM	w/e Mortgage Refinance Index	3434.6		3891.5
9:00AM	Apr Monthly Home Price yy (%)	5.5		5.9
Thursday, Jun 25				
8:30AM	Q1 GDP Final (%)	-5.0	-5.0	-5.0
8:30AM	May Durable goods (%)	15.8	10.9	-17.7
Friday, Jun 26				
8:30AM	May Core PCE Inflation (y/y) (%)	1.0	0.9	1.0
10:00AM	Jun Consumer Sentiment (ip)	78.1	79.0	78.9

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

