



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](#)

Home Sales Bouncing Back, But So Are Rates

Two weeks ago, the newsletter discussed [why 2019 could actually be great for the housing market](#), despite downbeat reports and the likelihood of one more month of weakness for Existing Home Sales. That weakness showed up in the [following week](#), but with it came a comment from the chief economist for the National Association of realtors saying home sales were likely at a cyclical low.

As of Wednesday, we finally got the Pending Home Sales report showing the bounce we were looking for. Pending Sales momentum is a precursor for a bounce in the next round of Existing Home Sales data. That means we may indeed have seen a cyclical low with the last report.

Pending Home Sales



Unfortunately, we also saw the beginning of a fairly abrupt move higher in rates on Wednesday. Early that morning, underlying bond markets (which dictate mortgage rates) began to look panicked. It wasn't immediately clear what caused the move although Brexit-related news was the leading

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	4.2515	-0.0010
30 YR Treasury	4.4697	-0.0028

Pricing as of: 7/23 3:02AM 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%

candidate.

Why does Brexit news matter to US interest rates?

Interest rates tend to benefit from uncertainty and economic headwinds. Brexit represents a major unknown in terms of its impact on the European economy. The sooner it happens and the harsher the deal is for Britain, the greater that uncertainty. Wednesday's news suggested the deadline could be pushed back and a more favorable deal was still possible.

While the Brexit updates have generally pushed rates higher, they alone do not explain Wednesday's market movement. Other explanations involved simultaneous congressional testimonies from Fed Chair Powell, Michael Cohen, and Robert Lighthizer.

The catch is that none of these testimonies had started by the time the bond market began losing its composure. That leaves us with one of the most frustrating explanations from a market-watching standpoint, but also one of the most common: sometimes trading momentum is its own reason for existence.

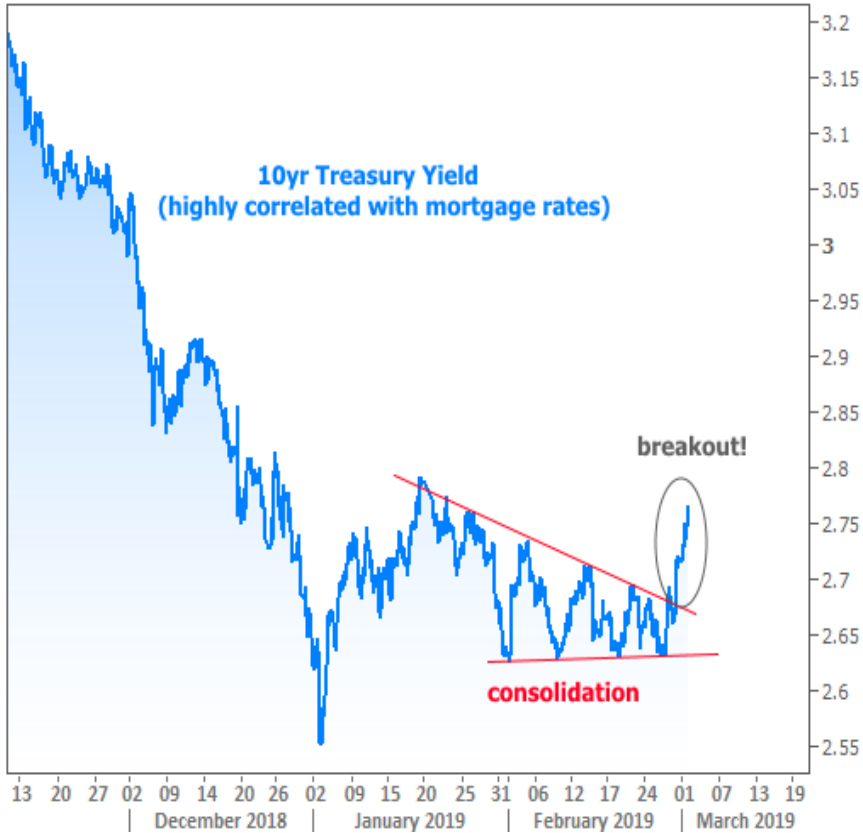
We do know that big trades started hitting the bond market right at 8:20am ET, which is an important opening bell for a certain group of bond traders. If this group comes into the market on any given day looking to make the same sorts of trades, rates can end up moving quickly without any apparent motivation from economic data or news.

This "glut" of trading demand was definitely a factor behind rising rates in the morning. It wouldn't necessarily be something worth discussing except that it started a chain reaction that last through the end of the week.

Rates were well on their way to recovering when Thursday morning's GDP report came in stronger than expected. If anything, investors were on the lookout for the report to miss the mark due to the government shutdown. In general, if the 4th quarter of 2018 wasn't as bad as investors feared, that would suggest another move higher in rates.

This is really when the chain reaction happened. Rates had been pushed high enough to definitively break outside the consolidation range seen in the red lines below. Such consolidation patterns often give way to breakouts that carry more momentum than average. It's not unfair to say that bonds can feel pent-up in such ranges and subsequently look to release that pent-up energy.

10yr Treasury Yield

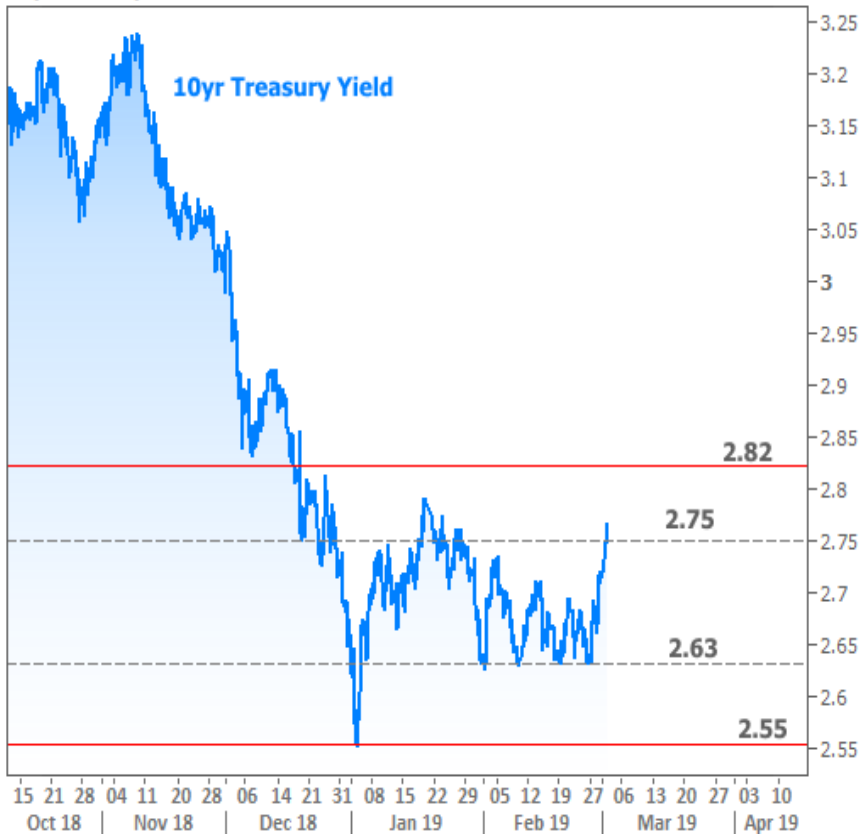


Bottom line: rates frequently react to market fundamentals (economic data, news headlines, and other developments that speak to the economy). Sometimes, however, the fundamental explanations fall short and we're left to observe so-called "technical" motivations (patterns in the charts and other purely mathematical assessments of what rates should do based on past precedent).

Bond traders were well aware of the consolidation range and the implication for a bigger move once it was broken. Without more panic surrounding Brexit, trade wars, and a GDP slump, it was only natural that the range breakout would take the unfriendly form seen above.

Is this the end of the road for our nice run of low rates in 2019? It's far too soon to conclude such things. Most traders are looking for the market to make bigger decisions in mid-March after the next Fed meeting. Between now and then, rather than plan on rates skyrocketing, a better baseline would be to shift the goalposts to something more horizontal, as seen in the following chart.

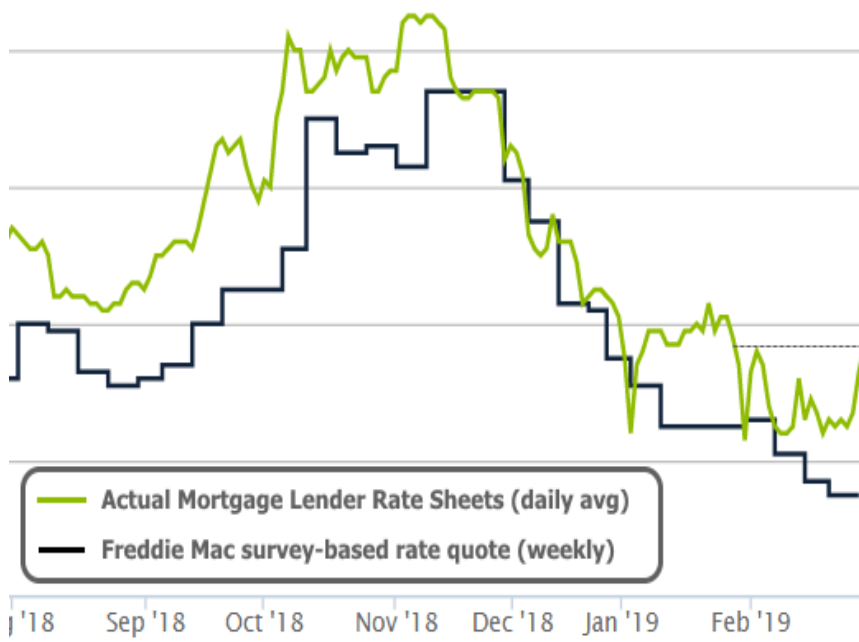
10yr Treasury Yield



Much like the chart of 10yr Treasury yields above, **mortgage rates** are also at their highest levels in more than a month. That said, several news articles were out yesterday claiming the lowest rates in more than a year. **What's up with that?!**

As is frequently the case when rates make big moves in the second half of any given week, the source of confusion is Freddie Mac's weekly rate survey, which big news outlets rely on as source material. Freddie's data is just fine over time, but in the shorter-term, it heavily favors Monday and Tuesday rate quotes while completely ignoring Thursday and Friday. If we look at **actual lender rate sheet averages** compared to Freddie's weekly number, we see a line that looks much more like Treasury yields above. The implication is that the Freddie rate survey should jump noticeably next week, barring some unforeseen salvation for rates.

30yr Fixed Mortgage Rates



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

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

