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For Markets, Political Spotlight Shifts From US to Europe

In last week's newsletter, we discussed a series of wild cards hitting the table and their impact on financial markets. Specifically, the potential reversal of post-election optimism helped interest rates break below 2017's narrow range. But that was just one small example of **much bigger uncertainty**. Sooner or later, markets will have to decide what's most important and trade accordingly.

Domestic Fiscal Policy Wild Cards

One of the key takeaways from the presidential election was that a Trump administration was more likely to create growth and inflation than a Clinton administration. That's not necessarily how financial media portrayed the market reaction **BEFORE** the election, but that's certainly how traders responded **AFTER** the election.

In other words, rates and stock prices moved higher. There's no telling whether it was **actual** optimism for growth and inflation (both bad for rates) or a simply investor excitement over potential **tax reform** (great for stocks) that did the trick, but clearly, markets are tuned in to the fate of proposed fiscal reforms.

For now, traders are waiting to see if policies can get off the ground. To that end, rates had second thoughts about continuing deeper into 2017's lows due to the Trump administration's comments on tax reform. In separate headlines, Secretary Mnuchin said Treasury was hard at work on tax reform and Trump himself said a plan that was **bigger than "any tax cut ever"** would be unveiled next week.

Geopolitical Wild Cards

Despite its lingering importance, fiscal drama has taken a back seat geopolitical concerns. Last week, this was all about Syria and North Korea. This week, focus shifted toward Europe.

European markets were closed on Monday. When trading fired up on Tuesday, there was a quick reaction to headlines suggesting British Prime Minister Theresa May wanted to call an **early general election** (with the goal of retrenching support for Brexit-related policies). As far as markets are concerned, Brexit generally equates to lower stocks and rates. British stocks fell the most, but that weakness spilled over into global stock markets and

National Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.44%	+0.14	0.00
15 Yr. Fixed	6.85%	+0.10	0.00
30 Yr. FHA	6.86%	+0.16	0.00
30 Yr. Jumbo	7.60%	+0.09	0.00
5/1 ARM	7.38%	+0.18	0.00
Freddie Mac			
30 Yr. Fixed	6.88%	-0.56	0.00
15 Yr. Fixed	6.16%	-0.60	0.00

Rates as of: 4/15

Market Data

	Price / Yield	Change
MBS UMBS 6.0	99.11	-0.24
MBS GNMA 6.0	99.96	-0.19
10 YR Treasury	4.6653	+0.0613
30 YR Treasury	4.7768	+0.0565

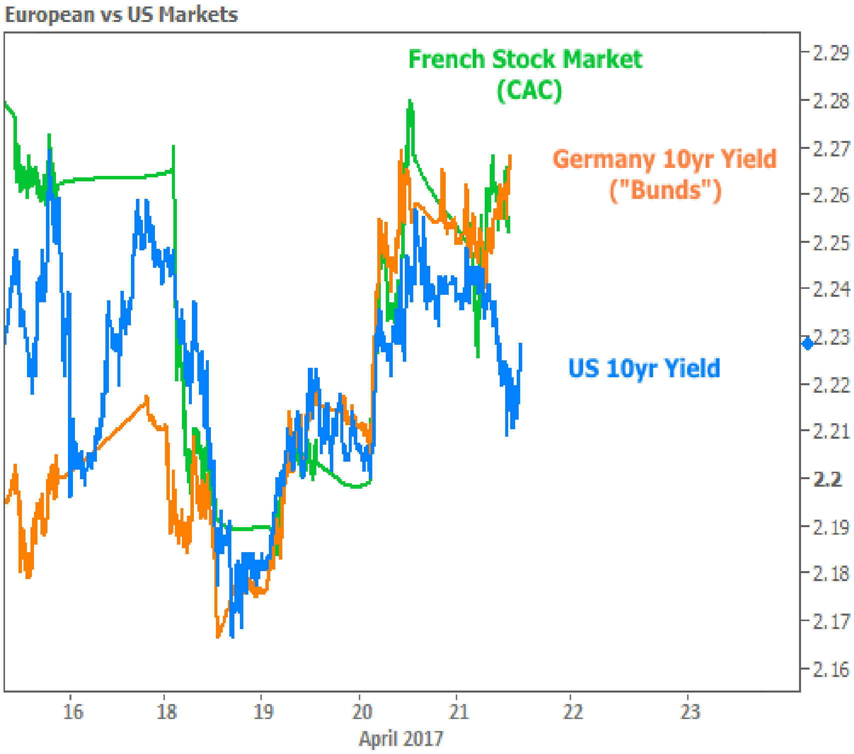
Pricing as of: 4/16 10:25AM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Apr 10	195.7	+0.05%
Building Permits	Feb	1.52M	+1.95%
Housing Starts	Feb	1.52M	+10.7%
New Home Sales	Feb	662K	+0.15%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%
Builder Confidence	Mar	51	+6.25%

ultimately provided some benefit for interest rates.

British election surprises quickly gave way to **French** election expectations. It's no mystery that France will elect a new president this weekend, and that one of the candidates is the controversial Marine Le Pen. Much like Brexit, markets view Le Pen as "bad for business." In the second half of the week, Le Pen fell in polls, prompting a surge in French stocks and European bond yields. Here too, the move spilled over to US bond markets, pushing rates slightly higher.



Markets are mostly in position for Le Pen to **lose** on Sunday. Even so, the **confirmation** of that fact would be worth a bit of extra pain for interest rates. If she wins, the response would be much bigger (and likely positive for rates), but we'll cross those bridges in next week's newsletter.

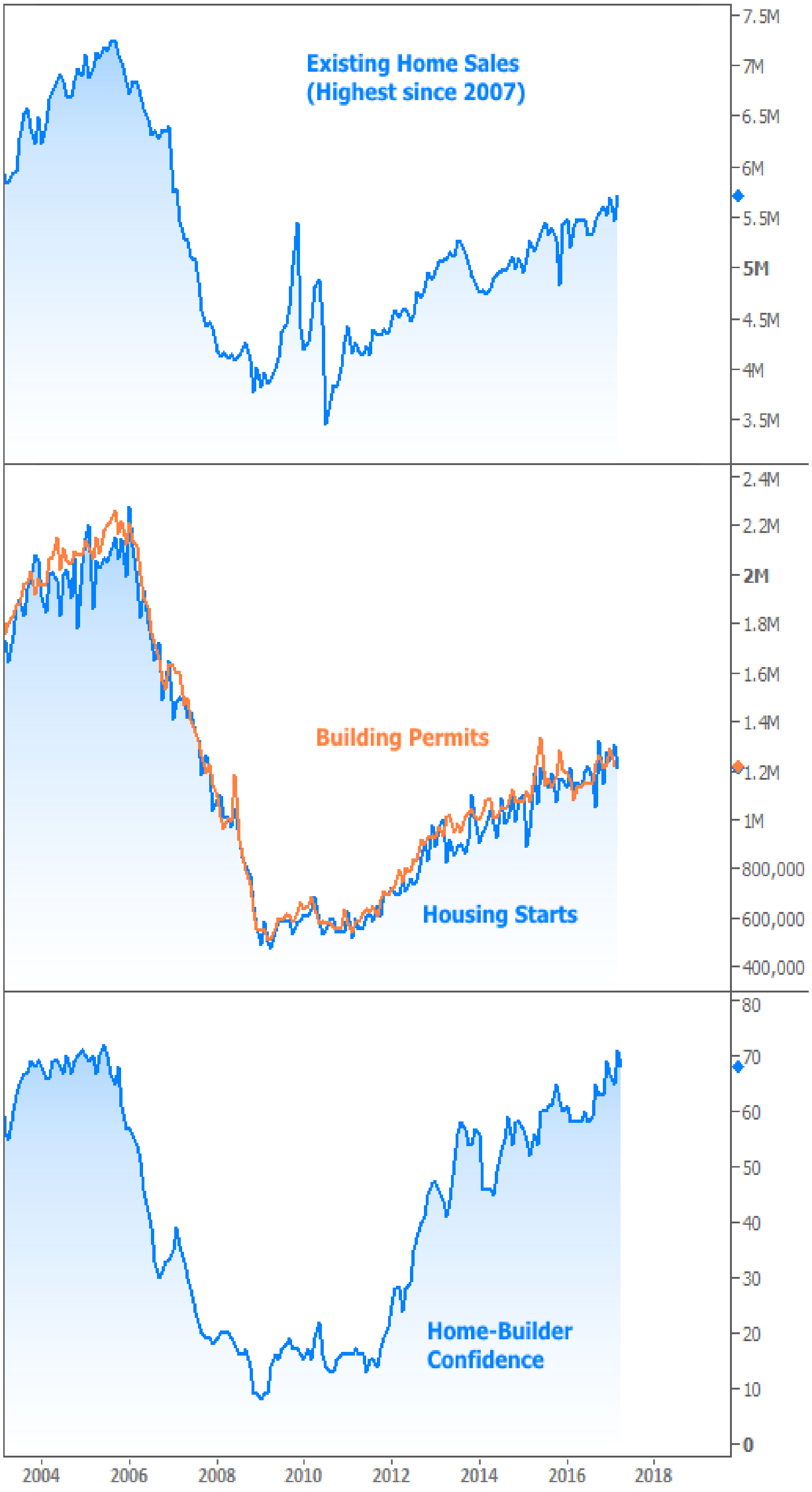
Econ Data and Fed Wild Cards

The state of the economy and the Fed's subsequent policy response to economic conditions remains an ongoing wild card. Does the Fed **really believe** growth and inflation might necessitate tighter monetary policy or are they simply tightening now so they can loosen policy when the economy begins to lose steam? Interestingly enough, Fed members have answered "yes" to **both** those questions recently.

This week didn't tell us much about new evolutions in the Fed's thought process. And we only saw limited instances of new economic data. But the data that came out was generally **positive** for the housing market.

The National Association of Realtors' Existing Home Sales report inched up to its **best levels since 2007**, continuing a trend that's easy to see in the top of the following chart. Government data on new construction was a mixed bag with Housing Starts falling a bit short while Building Permits advanced. Both remain in a solid upward trend. Homebuilder Sentiment was the only major housing report that declined (note: it covers April while the other two covered March). Despite the decline, the bigger-picture trend remains arguably positive, as seen at the bottom of the chart.

This Week's Housing Data



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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Monday, Apr 17				
10:00AM	Apr NAHB housing market indx	68	70	71
Tuesday, Apr 18				
8:30AM	Mar Housing starts number mm (ml)	1.215	1.250	1.288
8:30AM	Mar Building permits: number (ml)	1.260	1.250	1.216
9:15AM	Mar Industrial Production (%)	+0.5	0.5	0.1
9:15AM	Mar Capacity Utilization (%)	76.1	76.2	75.9
Wednesday, Apr 19				
7:00AM	w/e Mortgage Market Index	395.6		402.9
7:00AM	w/e MBA Purchase Index	238.3		246.7
7:00AM	w/e Mortgage Refinance Index	1274.5		1272.3
Thursday, Apr 20				
8:30AM	Apr Philly Fed Business Index	22.0	25.0	32.8
8:30AM	w/e Initial Jobless Claims (k)	244	242	234
8:30AM	w/e Continued jobless claims (ml)	1.979	2.004	2.028
Friday, Apr 21				
10:00AM	Mar Existing home sales (ml)	5.71	5.60	5.48
Tuesday, Apr 25				
9:00AM	Feb Monthly Home Price mm (%)	0.8		0.0
10:00AM	Mar New home sales chg mm (%)	+5.8	-0.8	6.1
10:00AM	Mar New home sales-units mm (ml)	0.621	0.583	0.592
10:00AM	Apr Consumer confidence	120.3	122.5	125.6
1:00PM	2-Yr Note Auction (bl)		26	
Wednesday, Apr 26				
7:00AM	w/e Mortgage Market Index	406.2		395.6
1:00PM	5-Yr Note Auction (bl)	34		
Thursday, Apr 27				
8:30AM	Mar Durable goods (%)	+0.7	1.2	1.8
8:30AM	Mar Nondefense ex-air (%)	+0.2	0.5	-0.1
10:00AM	Mar Pending homes index	111.4		112.3
1:00PM	7-Yr Note Auction (bl)	28		
Friday, Apr 28				
8:30AM	Q1 GDP Advance (%)	+0.7	1.2	2.1
9:45AM	Apr Chicago PMI	58.3	56.4	57.7
10:00AM	Apr U Mich Sentiment Final (ip)	97.0	98.0	98.0

Event Importance:

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

All Your Mortgage Needs, Professionally Delivered with a Personal Touch

Whether you're a first-time homebuyer hoping to navigate the process of buying a home so that it is a fun and anxiety-free process or a homeowner looking for refinance options that deliver more freedom and flexibility, I can help you analyze your current situation and find money saving options. With expertise in all areas of mortgage and financing, my hope is that once I become your mortgage partner, I'll stay your mortgage partner. With clients from A to Z, files never leave my hands or my desk. From start to finish, every step of the way, my goal is to keep the lines of communication open, provide complete and attentive service, and ensure the most seamless and satisfactory process possible.

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