

THE FEDERAL SAVINGS BANK



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Lowest Rates Since May, But There's a Catch

Rates ended the week at the best levels since late May. That sounds pretty great, right?! Unfortunately, there's a fairly big catch.

The problem with the past month and a half is that the range has been excruciatingly narrow. In fact, if you've been in the market for a loan during that time, you probably haven't seen your quoted interest rate change at all.

The chart below only **looks** like it's moving in July because it is adjusted for small day-to-day changes in lenders' **upfront costs**. That's a bit of tricky topic because "upfront costs" mean different things to different people. In this case, it refers to the costs that correspond with any given rate on a lender rate sheet.

These upfront costs let us see mortgage rate movement even if the payment rate or "**note rate**" isn't moving. Think of them as fine-tuning adjustments.

National Average Mortgage Rates



| | Rate | Change | Points |
|----------------------------|-------|--------|--------|
| Mortgage News Daily | | | |
| 30 Yr. Fixed | 7.45% | -0.07 | 0.00 |
| 15 Yr. Fixed | 6.86% | -0.05 | 0.00 |
| 30 Yr. FHA | 6.95% | -0.05 | 0.00 |
| 30 Yr. Jumbo | 7.64% | -0.04 | 0.00 |
| 5/1 ARM | 7.50% | -0.05 | 0.00 |

Freddie Mac

| | | | |
|--------------|-------|-------|------|
| 30 Yr. Fixed | 7.17% | -0.27 | 0.00 |
| 15 Yr. Fixed | 6.44% | -0.32 | 0.00 |

Rates as of: 4/26

Market Data

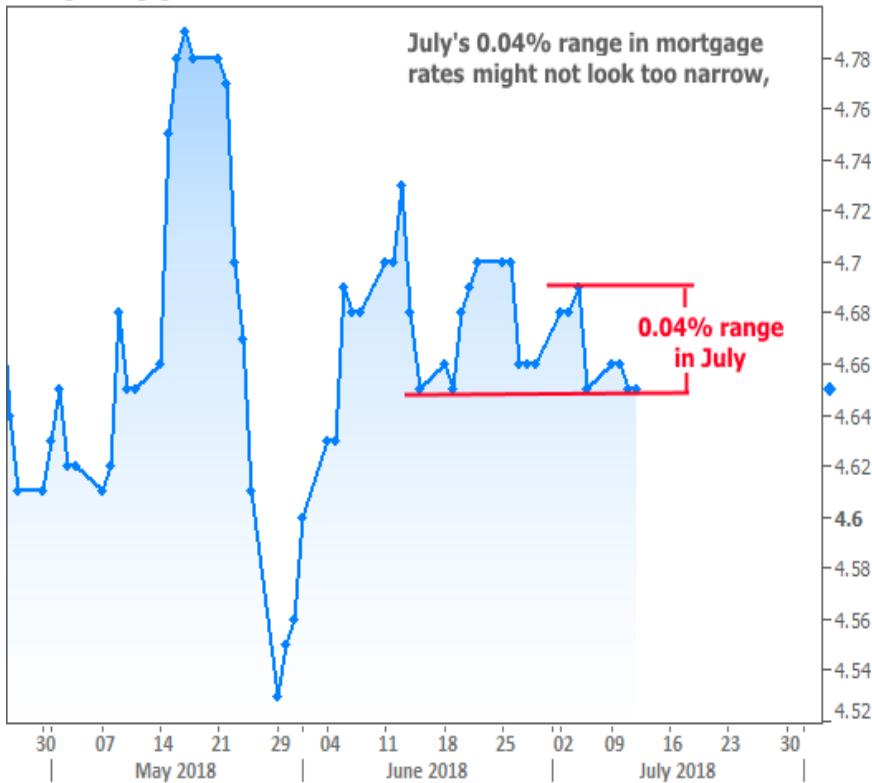
| | Price / Yield | Change |
|----------------|---------------|---------|
| MBS UMBS 6.0 | 99.36 | +0.30 |
| MBS GNMA 6.0 | 100.29 | +0.21 |
| 10 YR Treasury | 4.6723 | -0.0316 |
| 30 YR Treasury | 4.7849 | -0.0290 |

Pricing as of: 4/26 2:07PM EST

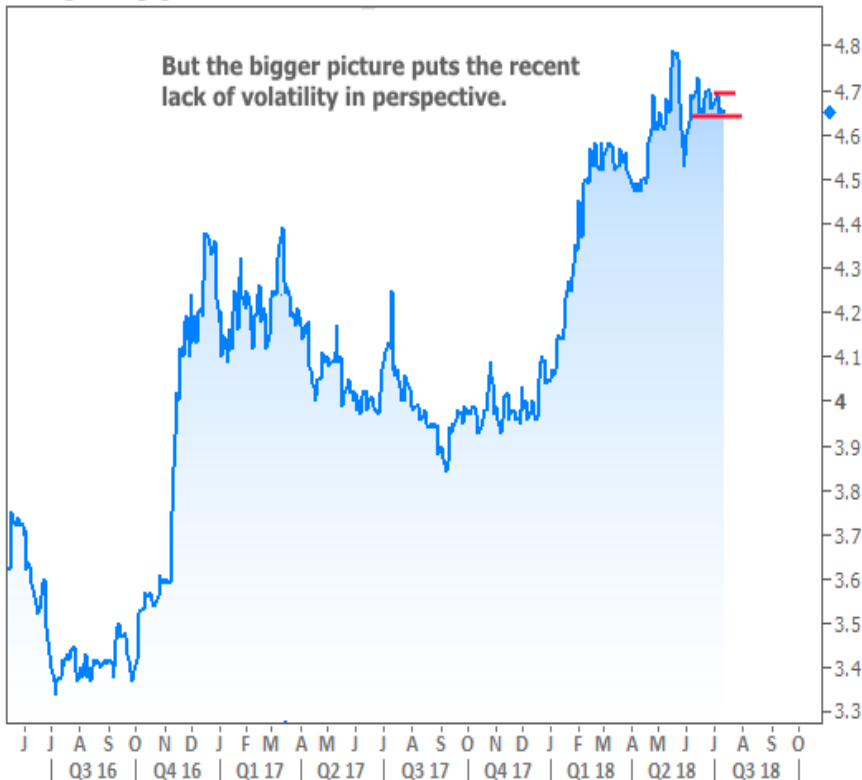
Recent Housing Data

| | | Value | Change |
|---------------------|--------|-------|---------|
| Mortgage Apps | Apr 24 | 196.7 | -2.67% |
| 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% |

Average Mortgage Rates



Average Mortgage Rates

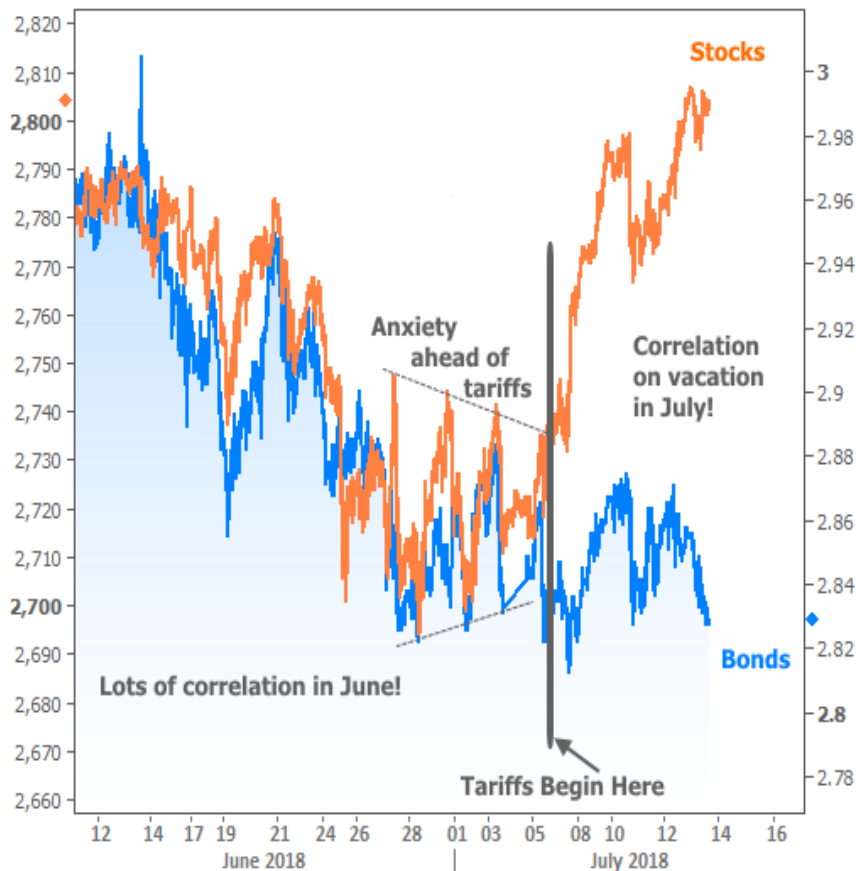


Why does any of that matter? In one sense, it prepares you to be appropriately cynical about next week's potential mortgage rate headlines. Beyond that, the sideways grind in rates is one of our industry's most visible manifestations of the uncertainty in broader financial markets.

Part of the uncertainty is due to the general realities of summertime trading--especially in the bond market (which underlies rates). A **bigger driver of uncertainty** is something we talked about in [last week's newsletter](#): the implementation of tariffs on China and the fear of market backlash.

There's a visible reference to the uncertainty in the correlation between stocks and bonds heading into the end of last week. We often see both sides of the market huddle together with higher lows and lower highs, waiting for an indication of the next big move. The chart below shows that stocks quickly forgot about last week's fears while the jury is still out for bonds.

Stocks vs Bonds



So **who's telling the truth here?** Did stocks jump the gun or are bonds taking too much time to decide? As is often the case, zooming out a bit will tell us what we need to know. Incidentally, BOTH stocks and bonds are still in bigger-picture consolidation patterns for essentially all of 2018.

Stocks vs Bonds



In other words, neither side of the market is telling the truth OR lying. Both still aren't exactly sure which way the next move will go. If past precedent is any guide, we may be waiting to find out conclusively until the summertime trading slowdown ends in September. Either way, the presence of these consolidations **greatly increases the odds** of a bigger move on the horizon.

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Recent Economic Data

| Date | Event | Actual | Forecast | Prior |
|-------------------|------------------------|--------|----------|-------|
| Tuesday, Jul 10 | | | | |
| 1:00PM | 3-Yr Note Auction (bl) | 33 | | |
| Wednesday, Jul 11 | | | | |

Event Importance:

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

| Date | Event | Actual | Forecast | Prior |
|--------------------------|-----------------------------------|--------|----------|-------|
| 7:00AM | w/e MBA Purchase Index | 261.5 | | 245.5 |
| 7:00AM | w/e Mortgage Refinance Index | 958.5 | | 996.0 |
| 8:30AM | Jun Producer Prices (%) | 0.3 | 0.2 | 0.5 |
| 8:30AM | Jun Core Producer Prices YY (%) | 2.8 | 2.6 | 2.4 |
| 10:00AM | May Wholesale inventories mm (%) | 0.6 | 0.5 | 0.5 |
| 1:00PM | 10-yr Note Auction (bl) | 22 | | |
| Thursday, Jul 12 | | | | |
| 8:30AM | Jun CPI mm, sa (%) | 0.1 | 0.2 | 0.2 |
| 8:30AM | Jun Core CPI Year/Year (%) | 2.3 | 2.3 | 2.2 |
| 8:30AM | w/e Jobless Claims (k) | 214 | 222 | 231 |
| 1:00PM | 30-Yr Bond Auction (bl) | 14 | | |
| Friday, Jul 13 | | | | |
| 8:30AM | Jun Export prices mm (%) | 0.3 | 0.2 | 0.6 |
| 8:30AM | Jun Import prices mm (%) | -0.4 | 0.1 | 0.6 |
| 10:00AM | Jul 5yr Inflation Outlook (%) | 2.4 | | 2.6 |
| 10:00AM | Jul 1yr Inflation Outlook (%) | 2.9 | | 3.0 |
| 10:00AM | Jul Consumer Sentiment | 97.1 | 98.2 | 98.2 |
| Monday, Jul 16 | | | | |
| 8:30AM | Jun Retail Sales (%) | +0.5 | 0.5 | 0.8 |
| 8:30AM | Jul NY Fed Manufacturing | 22.6 | 22.00 | 25.00 |
| 10:00AM | May Business Inventories (%) | +0.4 | 0.4 | 0.3 |
| Tuesday, Jul 17 | | | | |
| 9:15AM | Jun Capacity Utilization (%) | 78.0 | 78.3 | 77.9 |
| 9:15AM | Jun Industrial Production (%) | +0.6 | 0.6 | -0.1 |
| 10:00AM | Jul NAHB housing market indx | 68 | 68 | 68 |
| Wednesday, Jul 18 | | | | |
| 7:00AM | w/e MBA Purchase Index | 247.9 | | 261.5 |
| 7:00AM | w/e Mortgage Refinance Index | 979.6 | | 958.5 |
| 8:30AM | Jun Building permits: number (ml) | 1.273 | 1.330 | 1.301 |
| 8:30AM | Jun House starts mm: change (%) | -12.3 | | 5.0 |
| 8:30AM | Jun Build permits: change mm (%) | -2.2 | | -4.6 |
| 8:30AM | Jun Housing starts number mm (ml) | 1.173 | 1.320 | 1.350 |
| Thursday, Jul 19 | | | | |
| 8:30AM | Jul Philly Fed Business Index | 25.7 | 21.5 | 19.9 |
| 8:30AM | w/e Jobless Claims (k) | 207 | 216 | 214 |
| 10:00AM | Jun Leading index chg mm (%) | 0.5 | 0.4 | 0.2 |

Responsive service, experienced expertise

I've dedicated my 22 year mortgage career to client education, superior service, and honest answers. The lending landscape has changed dramatically the past few years, and continues to do so. My job is to ensure client partners' loans close quickly, without surprises, and I take that responsibility very seriously. Referrals are a responsibility I appreciate; they're a measure of trust, and that trust must be earned every day, on every referral.

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