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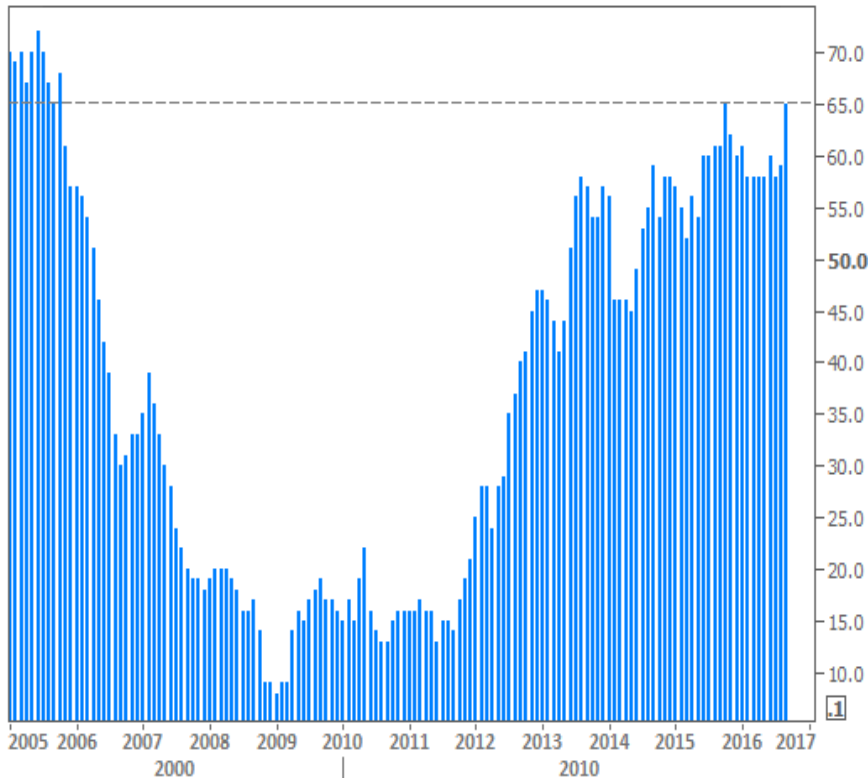
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Fed Helps Rates Recover But Inventory Holds Housing Back

It was a busy week, both in terms of housing-related data and market developments. While the **Fed Announcement** has helped rates recover somewhat from their recent move higher, we're left to wonder if the housing market is shifting into a lower gear.

This week's data was inconsistent--especially when it came to housing. Things began on a promising note, with [builder confidence](#) **surging** to match its **highest level** since before the mortgage meltdown.

Builder Confidence



From there, the **tone of the housing data shifted**. Just one day after the strong builder confidence numbers, we learned that [Housing Starts and Building Permits](#) missed estimates, resulting in further sideways stagnation. Relative to pre-crisis levels, these construction metrics are nowhere near the recovery suggested by builder confidence.

National Average Mortgage Rates



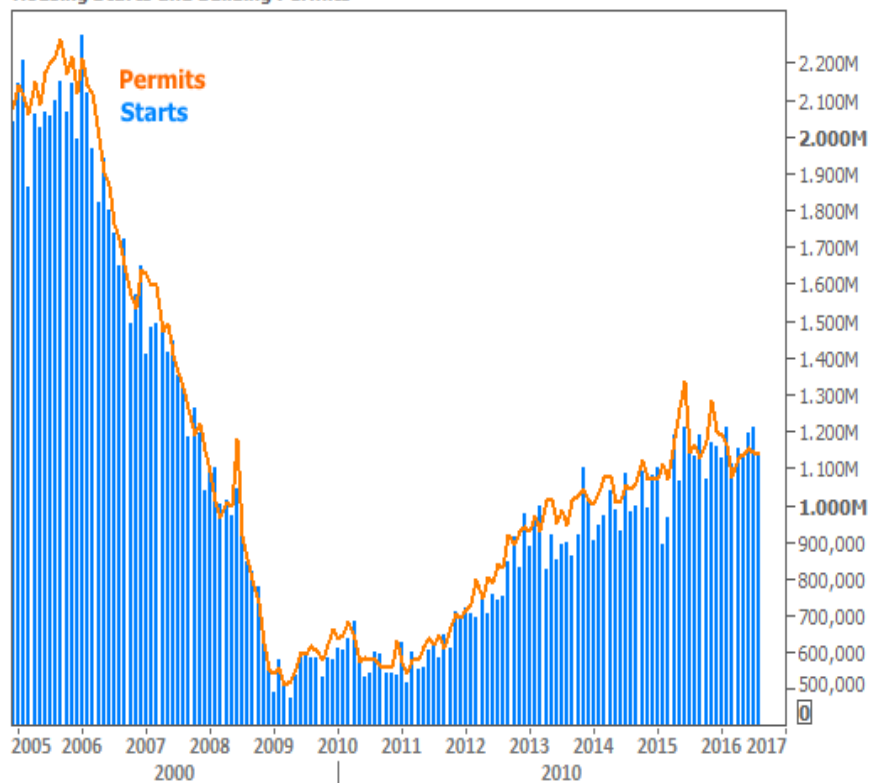
	Rate	Change	Points
Mortgage News Daily			
30YR Fixed	7.29%	-0.06	0.00
15YR Fixed	6.95%	-0.05	0.00
30YR FHA	6.91%	-0.08	0.00
30YR Jumbo	7.55%	-0.05	0.00
7/6 SOFR	6.88%	+0.02	0.00
30YR VA	6.92%	-0.08	0.00

Rates as of: 10/29

Recent Housing Data

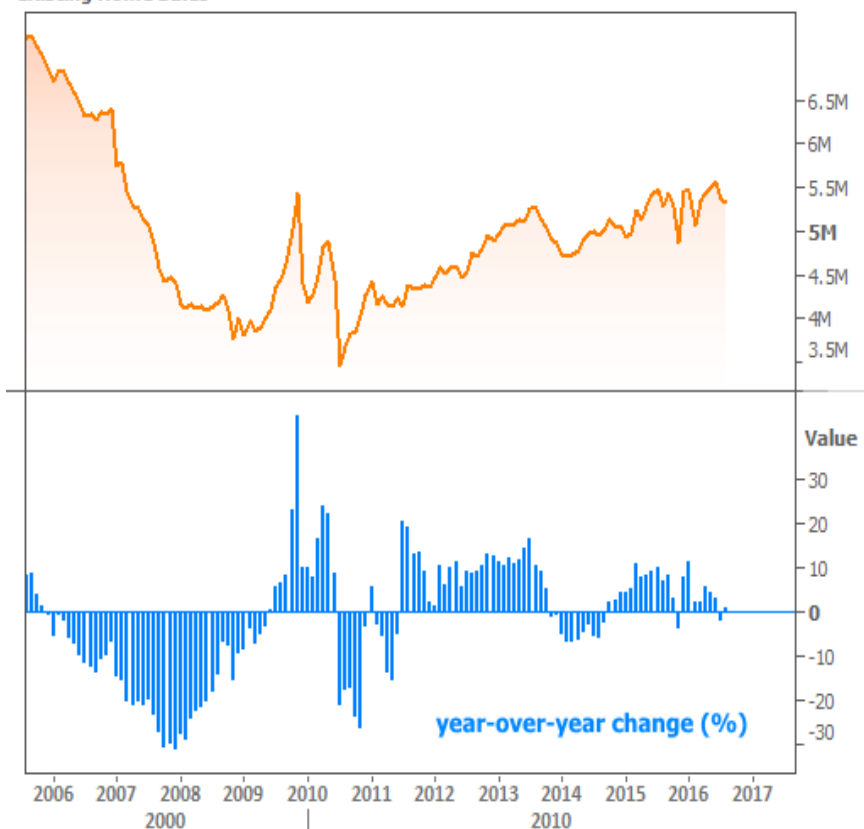
		Value	Change
Mortgage Apps	Oct 14	188.6	-5.32%
Building Permits	Sep	1.4M	+0.43%
Housing Starts	Sep	1.22M	-4.24%
New Home Sales	Aug	684K	+12.69%
Pending Home Sales	Aug	71.2	0%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Oct	29	-9.38%

Housing Starts and Building Permits



The only way to resolve that discrepancy is to conclude fewer builders are building fewer houses. Those that remain can afford to be more optimistic. In separate news, the National Association of Realtors (NAR) released [Existing Home Sales](#) for August, which **corroborated the stagnation** in home purchase activity suggested by the construction numbers. On a year over year basis, Existing Sales improvement has ground to a halt.

Existing Home Sales



The NAR noted that lower mortgage rates over the summer were unable to give sales a boost due to inventory restrictions, saying "it's **very concerning** to see that inventory conditions not only show no signs of improving but have actually worsened in recent months."

The path of mortgage rates, itself, could also prove to be a **concern**. Just last week, I [pointed out](#) that rates had finally broken an important range and were heading higher. While we can't rule out more upward pressure, this week's Fed Announcement **helped rates recover** some of those losses.

It wasn't necessarily what the Fed **said** in its announcement, or the fact that they kept their policy rate unchanged. Markets were already expecting that. Rather, it was the **significant change in the economic projections** (each member of the Fed provides these 4 times per year). From the last round of projections in June, the Fed now sees the median Fed Funds rate a **HALF POINT** lower in 2017 and 2018. To be clear, that's a half point lower than the forecasts suggested in June (not a half point lower from current levels).

In other words, the Fed continues its **habit of revising its rate outlook** lower. Although the Fed Funds Rate does not directly dictate mortgage rates, when markets see the Fed as being less likely to hike, mortgage rates tend to benefit.

10yr Treasury yields are a good proxy for mortgage rate movement. Since the Fed Announcement, they **quickly** came back to the intersection of the previous trends. Breaking lower through those lines would be a tall order (statistically, it's the less likely outcome), but if it happens, it would be a major victory for rates.

10yr Treasury Yield



Next week brings several relatively important economic reports as well as the last trading day in September. The end of any given quarter is an active time for the bond markets that underlie consumer rates. If market participants are definitively leaning toward higher or lower rates, we should see that bias come to light over the next 2 weeks. The **downside** is that rate movement could be **more volatile** in the meantime.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Monday, Sep 19				
10:00AM	Sep NAHB housing market indx	65	60	60
Tuesday, Sep 20				
8:30AM	Aug Housing starts number mm (ml)	1.142	1.190	1.211
8:30AM	Aug Building permits: number (ml)	1.139	1.170	1.144
Wednesday, Sep 21				
7:00AM	w/e Mortgage Market Index	530.8		572.9
2:00PM	N/A FOMC rate decision (%)	0.25-0.50	0.375	0.375
2:30PM	FOMC Press Conference - Janet Yellen			
Thursday, Sep 22				
8:30AM	w/e Initial Jobless Claims (k)	252	260	260
9:00AM	Jul Monthly Home Price mm (%)	0.5		0.2
10:00AM	Aug Existing home sales (ml)	5.33	5.45	5.39

Event Importance:

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

Date	Event	Actual	Forecast	Prior
Monday, Sep 26				
10:00AM	Aug New home sales-units mm (ml)	0.609	0.600	0.654
1:00PM	2-Yr Note Auction (bl)	26		
Tuesday, Sep 27				
9:00AM	Jul CaseShiller 20 mm SA (%)	0.0	0.0	-0.1
10:00AM	Sep Consumer confidence	104.1	99.0	101.1
1:00PM	5-Yr Note Auction (bl)	34		
Wednesday, Sep 28				
8:30AM	Aug Durable goods (%)	0.0	-1.4	4.4
1:00PM	7-Yr Note Auction (bl)	28		
Thursday, Sep 29				
8:30AM	Q2 GDP Final (%)	+1.4	1.3	1.1
10:00AM	Aug Pending homes index	108.5		111.3
Friday, Sep 30				
8:30AM	Aug Consumption, adjusted mm (%)	0.0	0.1	0.3
8:30AM	Aug Personal income mm (%)	+0.2	0.2	0.4
8:30AM	Aug Core PCE price index mm (%)	+0.2	0.2	0.1
9:45AM	Sep Chicago PMI	54.2	52.0	51.5
10:00AM	Sep U Mich Sentiment Final (ip)	91.2	90.0	89.8

About Casey Sullivan

Casey is a dedicated and dependable mortgage loan officer. His clients count on him to be their skilled, experienced, and focused consultant, listening to their needs.

He skillfully assists his clients with both refinancing and home purchases in California and more specifically the San Francisco Bay Area.

His vision is to build lifetime relationships with each client as their mortgage consultant...for life! He stays connected with each client well after closing which includes loan reviews and dependable market updates.

Casey believes that everyone deserves to completely understand their mortgage financing options and that one size does not fit all when it comes to mortgages. Nor does it apply when it comes to mortgage lenders. All lenders are not made the same and they are not all equal.

For a free consultation, contact Casey Sullivan today at 925-395-4212 or Casey@TheSullivanGrp.com

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