Brad Belcher

Owner/Independent Mortgage Broker, Elite Mortgage LLC

572862

3943 Hwy 54 Owensboro, Kentucky 42303

Office: 270-570-2237

Mobile: 270-570-2237

Fax: 800-278-4062

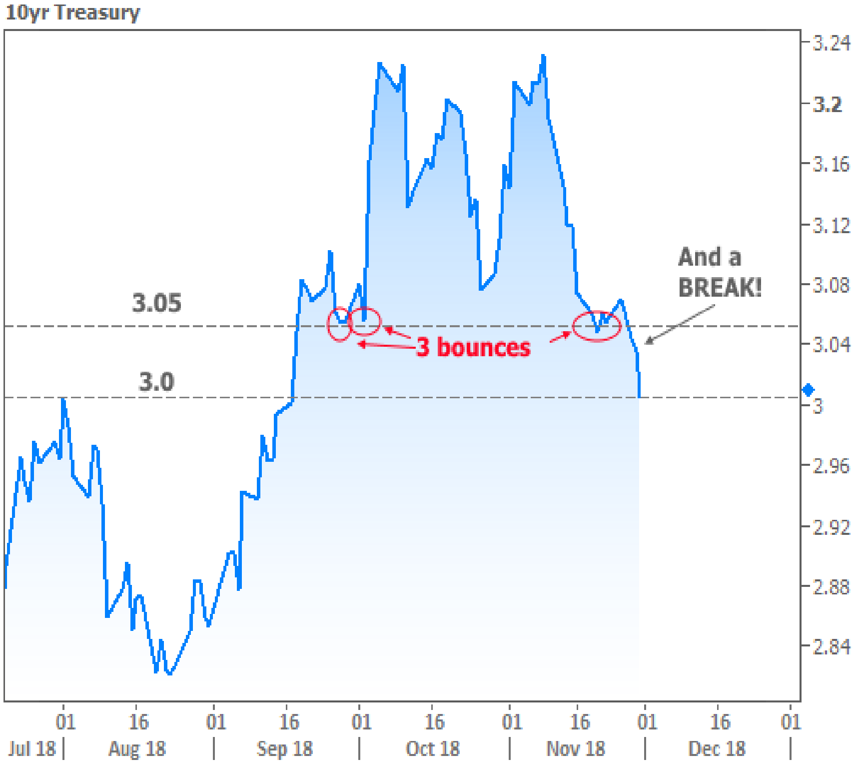
bbelcher@elitemortgagerates.com

View My Website

Are The Highest Interest Rates Behind Us?

Relative to the last 2 years of pain for rates, a **sense of hope** has emerged, seemingly overnight, as the 10yr Treasury yield (an important benchmark for longer-term rates like mortgages) broke through a key level.

3.05% had **consistently blocked** the advance of falling rates for more than 2 months. The most recent bounce happened just last week. Breaking through sets us up to challenge the big psychological barrier at 3.0%.



The catalyst for the late week surge was a **speech by Fed Chair Jerome Powell.** The Fed sets monetary policies that can have a direct impact on rates. Those policies are largely a function of objective economic data, but there is some room for interpretation.

The Fed's interpretation has arguably been fairly balanced over the past few years. On the one hand, they've been hiking at a much slower pace compared to past cycles. On the other hand, they've been hiking **regularly** and their outlook has clearly called for those hikes to **continue** well into 2019.

National Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	6.43%	+0.02	0.00
15 Yr. Fixed	5.95%	0.00	0.00
30 Yr. FHA	5.82%	+0.02	0.00
30 Yr. Jumbo	6.62%	0.00	0.00
5/1 ARM	6.28%	-0.01	0.00
Freddie Mac			
30 Yr. Fixed	6.35%	-0.51	0.00
15 Yr. Fixed	5.51%	-0.65	0.00

Rates as of: 8/30

Market Data

	Price / Yield	Change
MBS UMBS 5.0	99.35	-0.16
MBS GNMA 5.0	99.91	-0.04
10 YR Treasury	3.9039	+0.0424
30 YR Treasury	4.1932	+0.0468

Pricing as of: 8/30 5:59PM EST

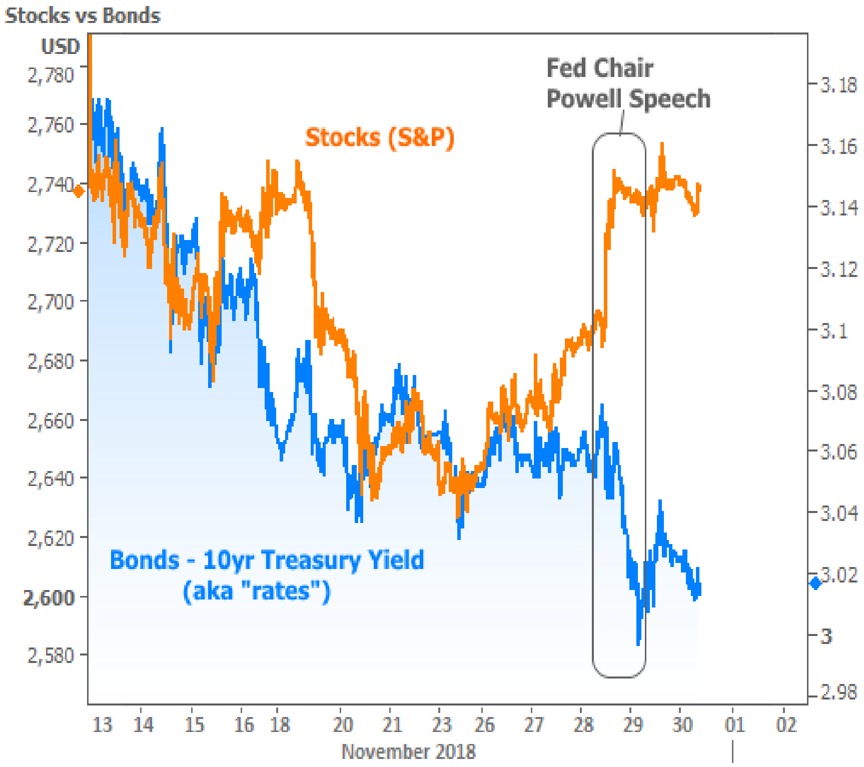
Recent Housing Data

		Value	Change
Mortgage Apps	Aug 28	226.9	+0.49%
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%

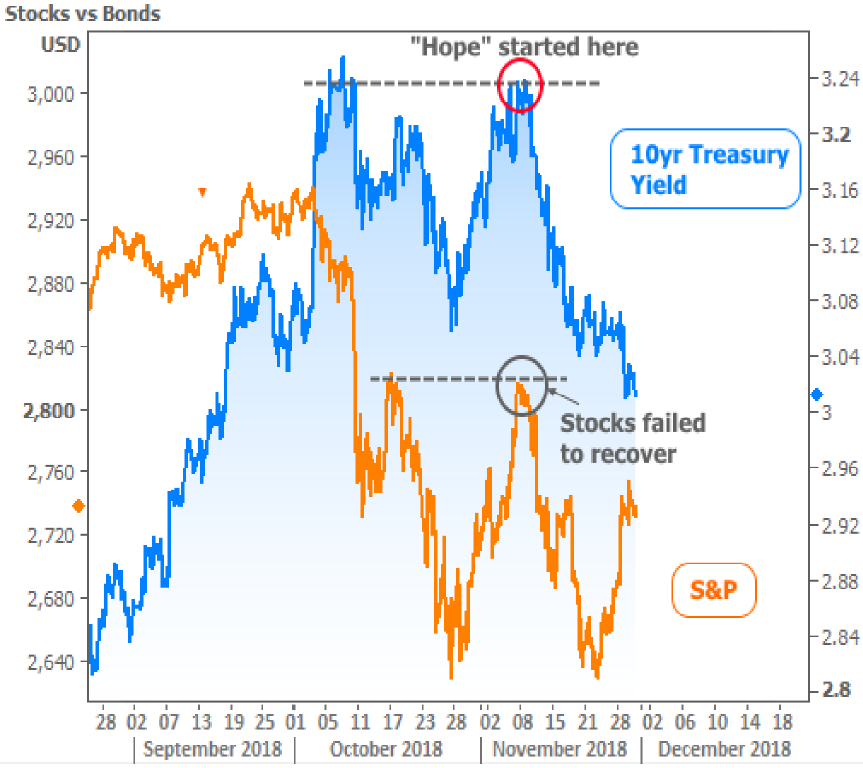
Powell's speech upset the balance as far as many investors were concerned. Back in October, Powell said rates were "a long way from neutral, probably" before adding that the Fed may even raise rates past neutral (a level that neither promotes or discourages economic growth). He'd been sticking to that script regularly **until this week** when he said rates are now "just below" neutral.

Beyond the comment on rates, Powell also noted that the Fed's rate hike outlook is **no guarantee** of a policy path (translation: they might not end up hiking as much as anticipated). The determining factor in that policy path will be economic data. On that topic, Powell said the Fed "will be paying very close attention."

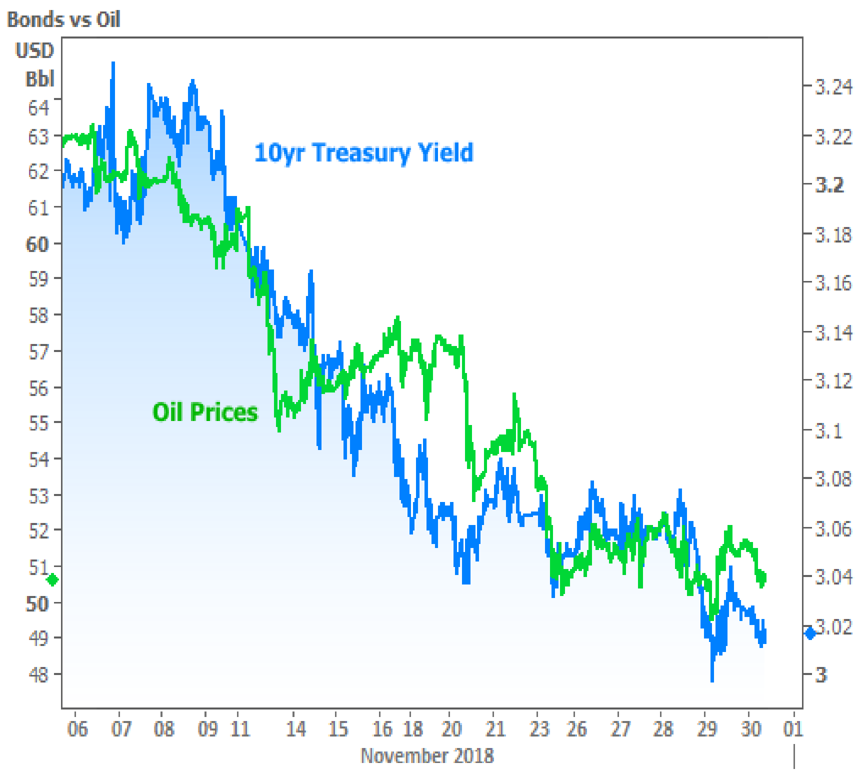
Stocks and bonds both seized on the **apparent shift** in tone from the Fed Chair. In general, when the Fed is perceived as less likely to hike rates, both sides of the market rally. That can be seen in the following chart with stocks surging and rates falling.



Combined with the positive move in rates that began 3 weeks ago, a sense of hope seems to be returning to the bond market. Keep in mind that at least **some** of that "hope" will come at the **expense** of stocks and the economy. After all, rates tend to fall when the economy is weak.



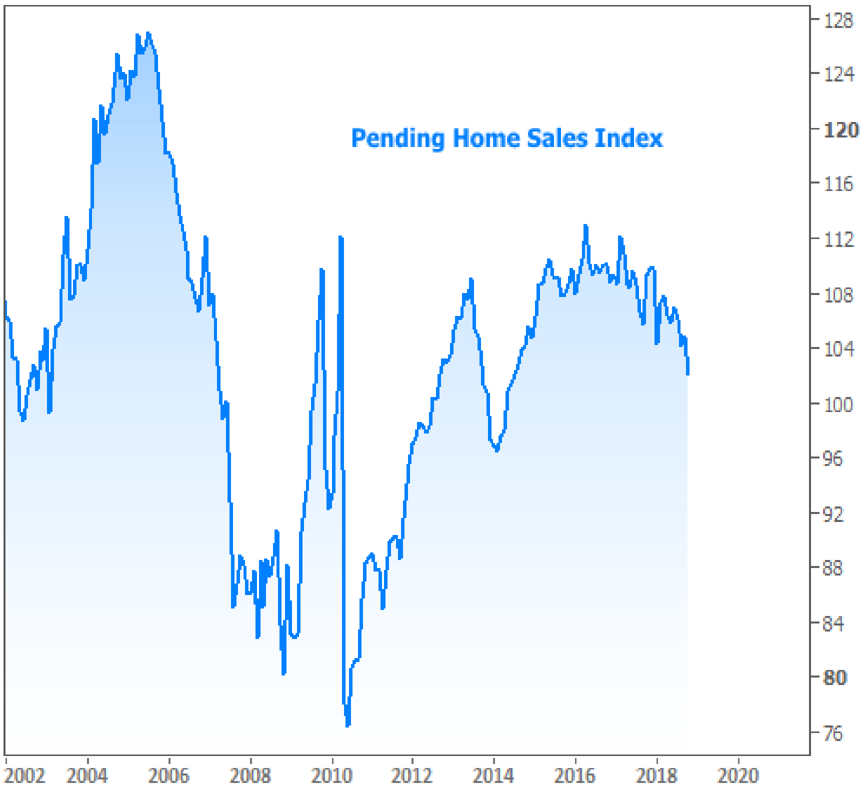
You might notice that the blue line (bonds) was more willing to move lower than the orange line (stocks) in November. Of course we just discussed the Powell effect, but well before Powell's speech, we can see bonds setting "lower lows" even as stocks try to hold the same defensive floor. One potential reason is **weakness in oil prices**. Oil has a bearing on inflation, and inflation has a bearing on bonds. Falling oil prices can add downward pressure on rates.



If these positive influences stick around, the highest rates for this economic cycle may indeed already be behind us. That **couldn't come a moment too soon** for the housing market where sales continued to slump according to two reports out this week.

New Home Sales

Pending Home Sales



Still, it's not necessarily safe to assume rates will keep moving lower. Keep Powell's comments about economic data in mind. The Fed will be watching the data closely. To whatever extent next week's important economic reports disappoint, **hope will remain alive** for rates. But if those reports are stronger than expected, rates could easily bounce back toward recent highs.

Subscribe to my newsletter online at: http://mortgageratesupdate.com/elitemortgage

Recent Economic Data

Date	Event	Actual	Forecast	Prior
Tuesday, Nov 27				
9:00AM	Sep CaseShiller 20 yy (%)	+5.1	5.3	5.5
9:00AM	Sep Monthly Home Price mm (%)	0.2		0.3
10:00AM	Nov Consumer confidence	135.7	135.9	137.9
Wednesday, Nov 28				
7:00AM	w/e MBA Purchase Index	247.8		227.7
7:00AM	w/e Mortgage Refinance Index	787.7		783.7
8:30AM	Q3 GDP Prelim (%)	3.5	3.5	3.5
10:00AM	Oct New home sales-units mm (ml)	0.544	0.575	0.553
10:00AM	Oct New home sales chg mm (%)	-8.9	3.7	-5.5
Thursday, Nov 29				
8:30AM	Oct Core PCE (y/y) (%)	+1.8	1.9	2.0
8:30AM	Oct Personal Income (%)	+0.5	0.4	0.2
8:30AM	Oct Consumer Spending (Consumption) (%)	+0.6	0.4	0.4
10:00AM	Oct Pending Sales Index	102.1		104.6
10:00AM	Oct Pending Home Sales (%)	-2.6	0.5	0.5
Friday, Nov 30				
9:45AM	Nov Chicago PMI	66.4	58.0	58.4
Monday, Dec 03				
10:00AM	Oct Construction spending (%)	-0.1	0.4	0.0
10:00AM	Nov ISM Manufacturing PMI	59.3	57.6	57.7
10:00AM	Nov ISM Mfg Prices Paid	60.7	70.0	71.6
Tuesday, Dec 04				
9:45AM	Nov ISM-New York index	840.8		831.9
Wednesday, Dec 05				
7:00AM	w/e Mortgage Refinance Index	836.4		787.7
7:00AM	w/e MBA Purchase Index	249.9		247.8
Thursday, Dec 06				
8:15AM	Nov ADP National Employment (k)	179	195	227
8:30AM	w/e Jobless Claims (k)	231	230	234
10:00AM	Oct Factory orders mm (%)	-2.1	-2.0	0.7
10:00AM	Nov ISM N-Mfg PMI	60.7	59.2	60.3

Event Importance:

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

Date	Event	Actual	Forecast	Prior
10:00AM	Nov ISM N-Mfg Bus Act	65.2	62.0	62.5
Friday, Dec 07				
8:30AM	Nov Non-farm payrolls (k)	155	175	250
8:30AM	Nov Unemployment rate mm (%)	3.7	3.7	3.7
8:30AM	Nov Average earnings mm (%)	0.2	0.3	0.2
10:00AM	Oct Wholesale inventories mm (%)	0.8	0.7	0.7
10:00AM	Dec Consumer Sentiment	97.5	97.0	97.5

Welcome to Elite Mortgage!

Welcome to Elite Mortgage!

Our Unique Boutique Mortgage Experience combines elite licensed mortgage professionals, incomparable service, a full array of mortgage products with the most competitive rates in the industry. At Elite Mortgage you're a client, not a number!

We know that each customer has specific needs, so we strive to meet those specific needs with a wide array of products, investment tools, mortgages and best of all quality service and individual attention.

Today's technology is providing a more productive environment to work in. For example, through our website, you can submit a complete on-line, secure loan application or pre-qualify for a home loan. You may also evaluate your different financing options by using our interactive calculators and going over various mortgage scenarios.

Brad Belcher