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## Markets Still Juggling Multiple Sources of Inspiration

Multiple sources of inspiration continued vying for the market's attention this week with no clear winners. Stocks remained fully locked in the same indecisive pattern that emerged last week. Rates, on the other hand, **may** be starting to choose a side.

US 10yr Yield



For rates, the **tipping point** was Wednesday's announcement from the Fed. Normally, we'd pay the most attention to the Fed meetings that result in a change to the Fed's policy stance (such as hiking/cutting rates, or changing the amount/pace of bond buying programs). This time around, markets were in general agreement that there would be no policy change, but the announcement was nonetheless seen as an important venue for clues about **future** policy changes.

With last month's jobs report being quite weak, and Q1 GDP coming in at a mere +0.7 percent, some traders were looking for the Fed to temper their recent enthusiasm. While the Fed did acknowledge some of the recent weakness in economic data, they offered **just as many counterpoints**, going so far as to characterize Q1 weakness "transitory." With that, traders who were hoping to see a gloomier Fed were forced to sell bonds, thus pushing rates

## 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   | 99.44         | +0.05   |
| MBS GNMA 5.5   | 99.86         | +0.08   |
| 10 YR Treasury | 4.2306        | -0.0219 |
| 30 YR Treasury | 4.4552        | -0.0173 |

Pricing as of: 7/23 11:07AM EST

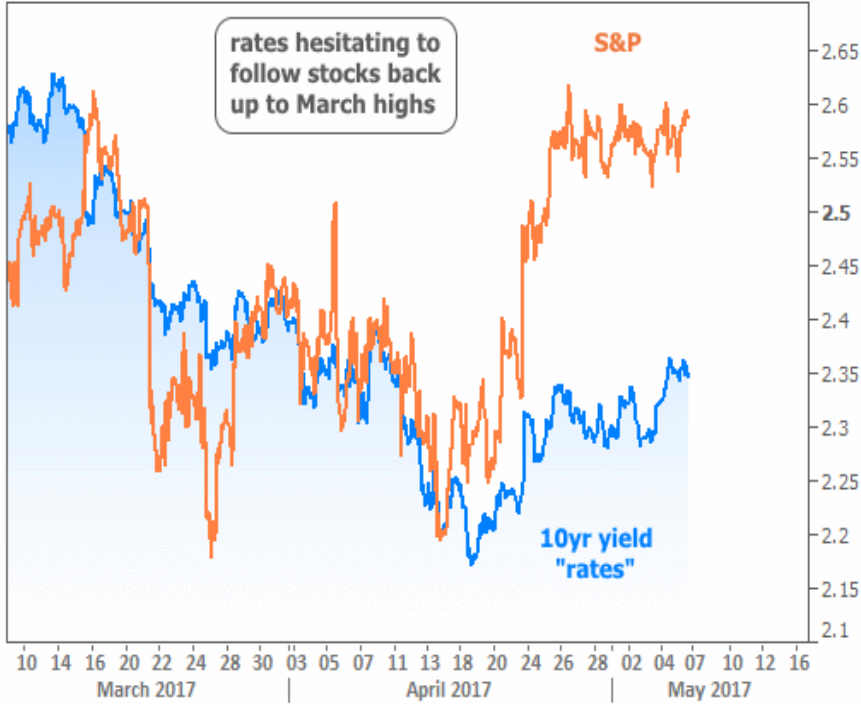
## Recent Housing Data

|                     |        | 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%  |

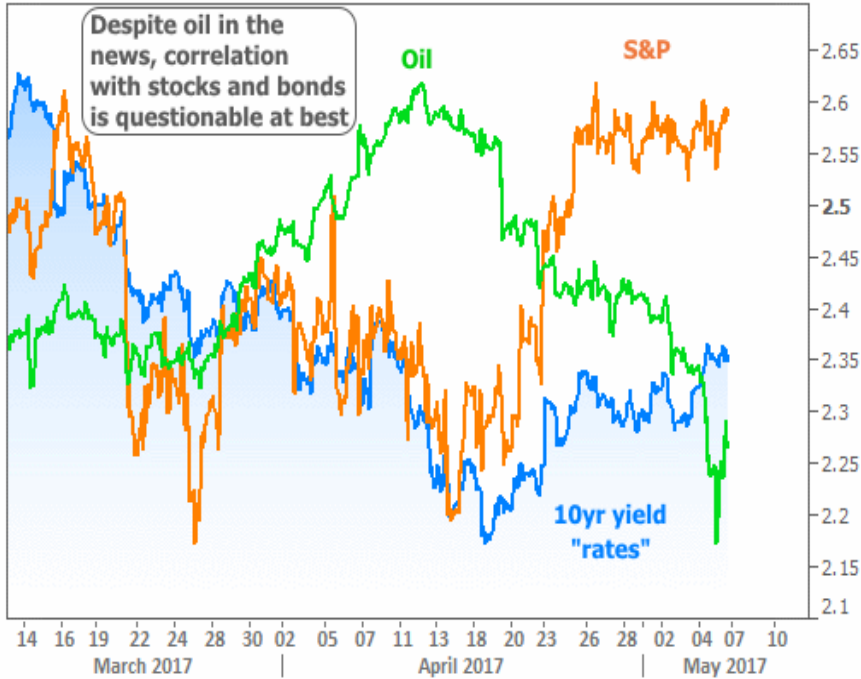
higher.

As dramatic as that sounds, it **wasn't enough** to break rates above the sideways trend seen in the first chart (red lines). Where did the extra push come from? Financial media paid most attention to oil prices, the House's passage of the new healthcare bill draft, and of course, stock market volatility. But more than any of those factors, it was European market movement that coaxed US rates higher.

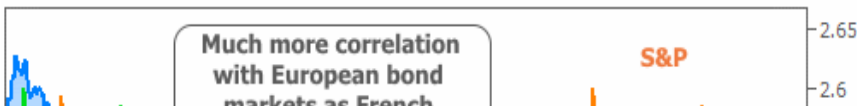
Stocks vs Bonds

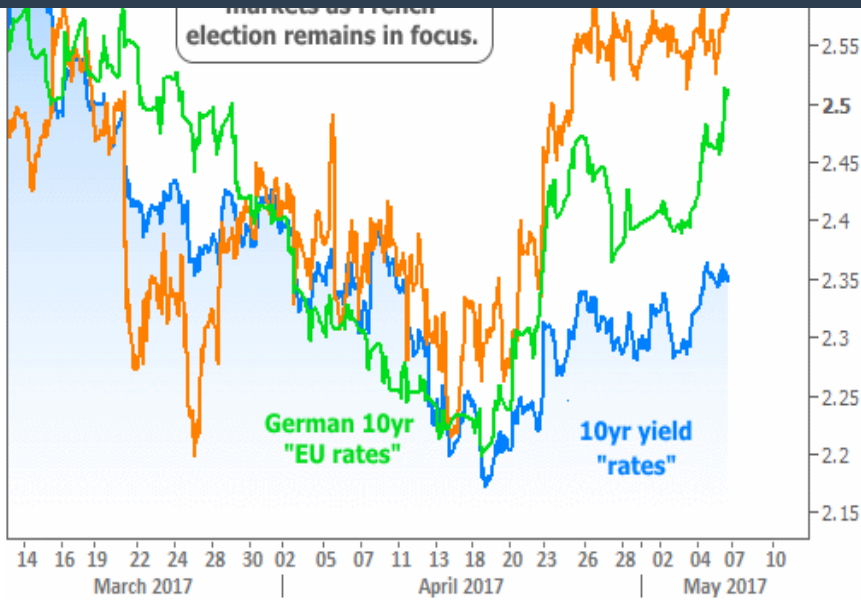


Stocks vs Bonds vs Oil



Stocks vs Bonds vs German Bonds





The late-April push toward higher rates in the EU was a factor of the first round of the French election. The candidate who might try to get France out of the EU (Le Pen) made it to the run-off, but so did Macron. If Le Pen won, stocks and rates **would have** fallen sharply, but Polls suggested Macron would handily win the upcoming run-off, so stocks and rates rose.

Investors were still entertaining the possibility that this week's presidential debates in France could **tip the balance** far enough back toward Le Pen to make this weekend's run-off a closer call (which would have been bad for stocks and good for rates). But polls remained fairly steady after the debate, with Macron maintaining a 63/37% lead. As such, European rates continued higher still.

By Monday morning, we'll have confirmation of the French election results, and while it's not the only market mover to consider, it will likely be worth a bit of extra pressure on interest rates. Unless another development speaks up in favor of lower rates (e.g. lousy economic data, botched fiscal reform in congress, or a geopolitical flare-up), **risks remain** in place that rates have entered a mild uptrend as seen in today's first chart.

In the bigger picture, rates really **haven't moved that much** for the average housing market stakeholder. We're talking about an eighth of a point (at most!) between the best and worst levels of the past few weeks. In general, rates have fared much better than most experts expected in 2017--a fact that's reflected in the recently strong housing data, as well as the ability for [mortgage applications](#) to hold their ground.

This week's most notable piece of housing-related data was [CoreLogic's Home Price Index](#). Reasonable rates teamed up with tight inventories to create a **7.1% year-over-year gain**. The index continues to outpace CoreLogic's own expectations, which pegged the current number at 5.2% a year ago.

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Recent Economic Data

| Date                  | Event                           | Actual | Forecast | Prior |
|-----------------------|---------------------------------|--------|----------|-------|
| <b>Monday, May 01</b> |                                 |        |          |       |
| 8:30AM                | Mar Personal income mm (%)      | +0.2   | 0.3      | 0.4   |
| 8:30AM                | Mar Core PCE price index mm (%) | -0.1   | -0.1     | 0.2   |
| 8:30AM                | Mar Core PCE price index yy (%) | +1.6   |          | 1.8   |

Event Importance:

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

| Date                     | Event                              | Actual    | Forecast | Prior |
|--------------------------|------------------------------------|-----------|----------|-------|
| 10:00AM                  | Apr ISM Manufacturing PMI          | 54.8      | 56.5     | 57.2  |
| 10:00AM                  | Mar Construction spending (%)      | -0.2      | 0.4      | 0.8   |
| <b>Wednesday, May 03</b> |                                    |           |          |       |
| 8:15AM                   | Apr ADP National Employment (k)    | 177.0     | 175      | 263   |
| 10:00AM                  | Apr ISM N-Mfg PMI                  | 57.5      | 55.8     | 55.2  |
| 2:00PM                   | N/A FOMC rate decision (%)         | 0.75-1.00 | 0.875    | 0.875 |
| <b>Thursday, May 04</b>  |                                    |           |          |       |
| 8:30AM                   | Q1 Productivity Preliminary (%)    | -0.6      | 0.0      | 1.3   |
| 8:30AM                   | Q1 Labor Costs Preliminary (%)     | +3.0      | 2.5      | 1.7   |
| 8:30AM                   | Mar International trade mm \$ (bl) | -43.7     | -44.5    | -43.6 |
| 8:30AM                   | w/e Initial Jobless Claims (k)     | 238       | 245      | 257   |
| 10:00AM                  | Mar Factory orders mm (%)          | +0.2      | 0.4      | 1.0   |
| <b>Friday, May 05</b>    |                                    |           |          |       |
| 8:30AM                   | Apr Non-farm payrolls (k)          | +211      | 185      | 98    |
| 8:30AM                   | Apr Private Payrolls (k)           | +194      | 185      | 89    |
| 8:30AM                   | Apr Unemployment rate mm (%)       | 4.4       | 4.6      | 4.5   |
| 8:30AM                   | Apr Manufacturing payrolls (k)     | +6        | 10       | 11    |
| 8:30AM                   | Apr Average earnings mm (%)        | +0.3      | 0.3      | 0.2   |
| <b>Tuesday, May 09</b>   |                                    |           |          |       |
| 10:00AM                  | Mar Wholesale inventories mm (%)   | +0.2      | -0.1     | -0.1  |
| 1:00PM                   | 3-Yr Note Auction (bl)             | 24        |          |       |
| <b>Wednesday, May 10</b> |                                    |           |          |       |
| 7:00AM                   | w/e Mortgage Market Index          | 415.7     |          | 405.8 |
| 8:30AM                   | Apr Import prices mm (%)           | +0.5      | 0.2      | -0.2  |
| 8:30AM                   | Apr Export prices mm (%)           | +0.2      | 0.1      | 0.2   |
| <b>Thursday, May 11</b>  |                                    |           |          |       |
| 8:30AM                   | Apr Producer Prices (%)            | +0.5      | 0.2      | -0.1  |
| 8:30AM                   | Apr Core Producer Prices YY (%)    | +1.9      | 1.7      | 1.6   |
| <b>Friday, May 12</b>    |                                    |           |          |       |
| 8:30AM                   | Apr Retail sales mm (%)            | 0.4       | 0.6      | -0.2  |
| 8:30AM                   | Apr CPI mm, sa (%)                 | +0.2      | 0.2      | -0.3  |
| 8:30AM                   | Apr Core CPI Year/Year (%)         | +1.9      | 2.0      | 2.0   |
| 10:00AM                  | Mar Business inventories mm (%)    | +0.2      | 0.1      | 0.3   |
| 10:00AM                  | May Consumer Sentiment Prelim      | 97.7      | 97.0     | 97.0  |
| <b>Wednesday, Jul 12</b> |                                    |           |          |       |
| 1:00PM                   | 10-yr Note Auction (bl)            | 20        |          |       |
| <b>Thursday, Jul 13</b>  |                                    |           |          |       |
| 1:00PM                   | 30-Yr Bond Auction (bl)            | 12        |          |       |

## Choose the Right Independent Home Loan Expert

Your Trusted Nationwide Mortgage Advisor

With over a decade of experience, Jay Rodriguez is your go-to mortgage broker. Originally from Southern California, Jay has 13 state licenses and a deep understanding of the mortgage landscape. Whether you're in Texas or beyond, his commitment to personalized service, competitive rates, and on-time closings sets him apart. First-time buyers, refinancers, and investors alike benefit from his expertise. Contact Jay today to turn your homeownership dreams into reality!

**Jay Rodriguez**

