

THE FEDERAL SAVINGS BANK



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A Message from Ted Rood:

"When Asian events get markets' attention on NFP week, we really are in a global economy."

The Day Ahead: Global Risk and Oil Give Bonds a Head Start

Bond markets are coming out of the overnight session with a pleasantly surprising advantage, and a good reminder that our fate can be **influenced by more than domestic economic data**. Weak data in China has been a lingering concern since mid 2015 with many pundits calling for the situation to deteriorate.

Like the manufacturing report that was blamed for China's massive stock slide on Monday, last night's Caixin Services PMI (purchasing manager's index) was **much weaker than expected**. China's Hang Seng stock index fell sharply at the open, bringing global equities futures lower in the process.

Much like yesterday, the **somewhat-panicked** selling in equities markets resulted in a flight to safety for bond markets. In other words, investor sentiment can be oversimplified as: "sell stocks, buy bonds." News of Hydrogen Bomb test in North Korea further compounded the motivation for investors to shed risk.

Whether it's a chicken or an egg, oil prices are taking part in the general "risk-off" trading momentum, though it's correlation with interest rates can vary quite a bit at times. European bond markets, on the other hand, are more likely to be moving in relative lock step with US bond markets recently, and that held true overnight. Thus, **all three** geographical market sectors (Asia, Europe, America) got on board with the risk aversion trade, and all before any of the domestic economic data in the US. ADP employment did come out much stronger than expected, but it remains to be seen if domestic data will even be able to trump the broader global economic concerns.

The following chart shows S&P futures, the Hang Seng index, 10yr Treasuries and German Bunds (blue, orange, yellow, red, respectively).

MBS & Treasury Market Data

| | Price / Yield | Change |
|----------------|---------------|---------|
| MBS UMBS 5.0 | 99.37 | +0.02 |
| MBS GNMA 5.0 | 99.93 | +0.02 |
| 10 YR Treasury | 3.9068 | +0.0029 |
| 30 YR Treasury | 4.1960 | +0.0028 |

Pricing as of: 9/1 7:34PM EST



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 |
| Mortgage Bankers Assoc. | | | |
| 30 Yr. Fixed | 6.44% | -0.06 | 0.54 |
| 15 Yr. Fixed | 5.88% | -0.16 | 0.68 |
| 30 Yr. FHA | 6.36% | -0.06 | 0.85 |
| 30 Yr. Jumbo | 6.75% | +0.07 | 0.39 |
| 5/1 ARM | 5.98% | -0.27 | 0.65 |

Rates as of: 8/30



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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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