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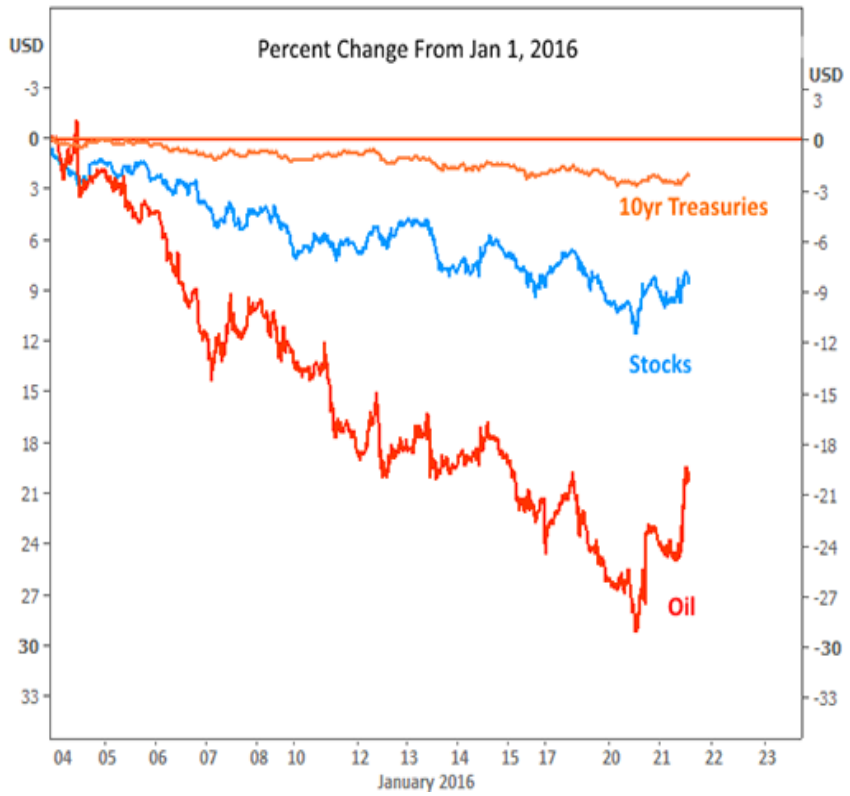
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Oil and Stocks Continue Dominating Interest Rate Markets

The big story of 2016 continues to be the **heavy losses** in risk markets and the resulting improvements in safer haven markets. A risk market is anything with a greater risk of loss in exchange for a greater potential for reward. Stocks are the quintessential risk market, but oil prices have been even more volatile of late.

Volatility and falling prices force investors to seek assets with more stable prices—potentially even rising prices. Although there have been times over the past few years that have challenged the notion, US Treasuries and similar bonds are the quintessential safe havens. This includes the mortgage-backed-securities that drive **mortgage rates**.

Bonds are **attractive** at times like this because their typical range of volatility is much smaller than that of the aforementioned risk markets. The following chart shows the absolute percent change from the beginning of the year in stocks, oil, and 10yr Treasuries (a proxy for mortgage rates that lets us see more intraday activity).



National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.51%	+0.01	0.00
15YR Fixed	7.04%	+0.01	0.00
30YR FHA	7.08%	+0.03	0.00
30YR Jumbo	7.52%	+0.02	0.00
7/6 SOFR	7.12%	-0.01	0.00
30YR VA	7.10%	+0.03	0.00

Rates as of: 11/16

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	98.71	+0.01
10 YR Treasury	5.1266	-0.0076
30 YR Treasury	5.4758	0.0000

Pricing as of: 11/16 7:22PM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Nov 4	204.6	+6.23%
Building Permits	Sep	1.4M	+0.43%
Housing Starts	Sep	1.22M	-4.24%
New Home Sales	Sep	676K	-1.17%
Pending Home Sales	Aug	71.2	0%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Oct	29	-9.38%

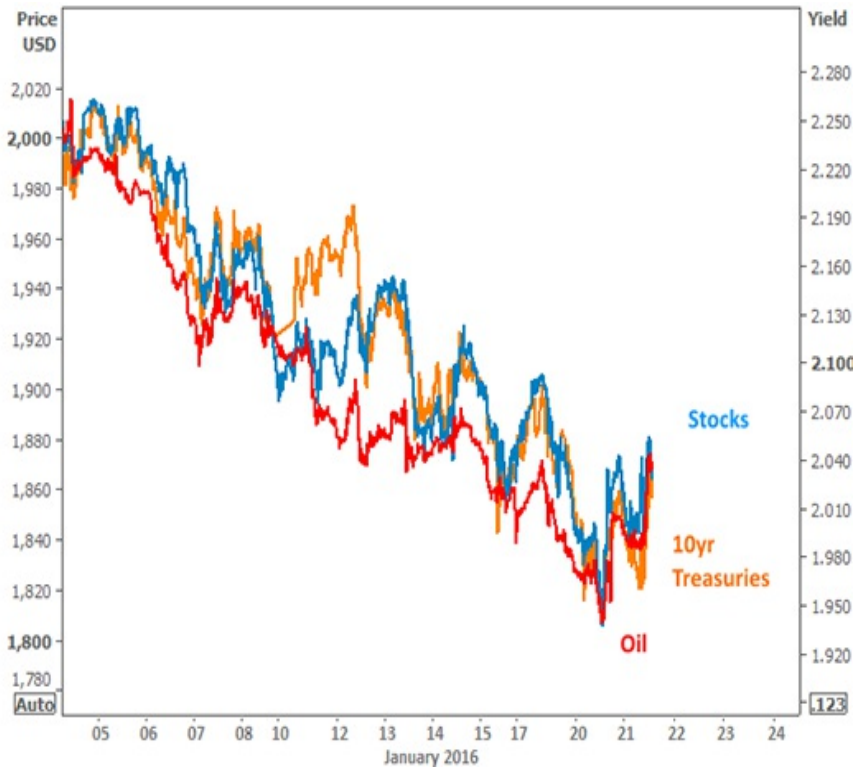
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As you can see, Treasuries haven't even moved 3 percent so far this year. Meanwhile stocks were down roughly **four times** as much and oil nearly 10 times as much!

While there's no guarantee that rates will follow risk markets, when the losses are that big, they **almost always do**. 2016 is no exception. This chart shows how the 10yr Treasury yield has moved in relation to stock and oil prices so far this year:



Long story short, the bumpy ride in **stocks and oil** has absolutely been pushing investors into the bond market. As demand for bonds increases, rates fall. In fact, mortgage rates hit their lowest levels in more than 2 months this week, and are fairly close to 7-month lows. There's no telling how long the trend will last, and we'll only know it's over with the benefit of hindsight. History suggests that could happen as soon as "immediately" or it could continue for months and months.

Housing-Specific News

The surge toward lower rates has anecdotally **helped the housing market**. The Mortgage Bankers Association reported a sharp increase in refinance applications this week, and National Association of Homebuilders Housing Market Index continued to hold at 60 or above for the 8th straight month.

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It remains to be seen whether rates will have much of an **impact on construction numbers**. Although slightly lower than estimates, December Housing Starts remained in the higher end of their 2015 range.

In mortgage-specific news, **Ellie Mae** reports that loan processing times have remained elevated as a result of the recently implemented TILA/RESPA Integrated Disclosures (TRID) rules.

CoreLogic opined on the silver lining surround TRID issues in the company's Insights Blog, as well as the geographical considerations of affordability.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Tuesday, Jan 19				
10:00AM	Jan NAHB housing market indx	60	61	61
Wednesday, Jan 20				
7:00AM	w/e Mortgage Refinance Index	1638.1		1380.4
7:00AM	w/e MBA Purchase Index	227.3		231.1
8:30AM	Dec Building permits: number (ml)	1.232	1.200	1.282
8:30AM	Dec CPI mm, sa (%)	-0.1	0.0	0.0
8:30AM	Dec Build permits: change mm (%)	-3.9		10.4
8:30AM	Dec Core CPI mm, sa (%)	+0.1	0.2	0.2
8:30AM	Dec Housing starts number mm (ml)	1.149	1.200	1.173
8:30AM	Dec Core CPI index, sa	244.45		244.14
Thursday, Jan 21				
8:30AM	w/e Continued jobless claims (ml)	2.208	2.217	2.263
8:30AM	w/e Initial Jobless Claims (k)	293	285	284
8:30AM	Jan Philly Fed Business Index	-3.5	-5.0	-10.2

Event Importance:

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

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Date	Event	Actual	Forecast	Prior
Friday, Jan 22				
10:00AM	Dec Exist. home sales % chg (%)	+14.7	8.9	-10.5
10:00AM	Dec Existing home sales (ml)	5.46	5.20	4.76
Tuesday, Jan 26				
9:00AM	Nov CaseShiller 20 mm nsa (%)	+0.1	0.1	0.1
9:00AM	Nov CaseShiller 20 yy (%)	+5.8	5.7	5.5
9:00AM	Nov CaseShiller 20 mm SA (%)	+0.9	0.8	0.8
10:00AM	Jan Consumer confidence	98.1	96.5	96.5
Wednesday, Jan 27				
10:00AM	Dec New home sales-units mm (ml)	0.544	0.500	0.490
10:00AM	Dec New home sales chg mm (%)	+10.8	2.0	4.3
2:00PM	N/A FOMC rate decision (%)	0.25-0.50	0.375	
Thursday, Jan 28				
8:30AM	Dec Durable goods (%)	-5.1	-0.6	0.0
Friday, Jan 29				
9:45AM	Jan Chicago PMI	55.6	45.0	42.9

Responsive service, experienced expertise

I've dedicated my 26 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.

Ted Rood

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