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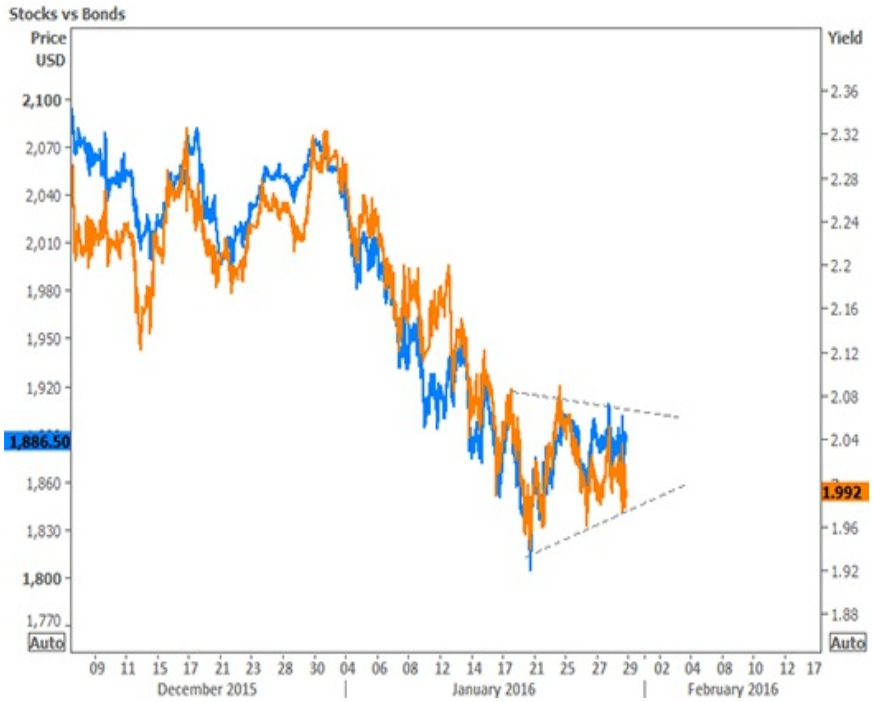
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2016's Wild Ride Already Over or Just Getting Started?

One of the most comforting things about trying to predict the future in financial markets is that there are **always** so many other people trying to predict the future at any given time. That means the entirety of investor expectation is always baked in to current levels. In other words, if there was a way for investors to know that stocks and rates would continue lower from here, people would already be trading accordingly.

While we can't know if the trend toward lower rates and stock prices is over, we can plainly see that investors are **considering that possibility**. Instead of the clear, directional move that prevailed for most of the month, this past week saw rates and stocks consolidate in a decidedly more 'sideways' path. The following chart shows this consolidation in S&P futures (used to represent the stock market) and 10yr Treasury yields (which tend to be highly correlated with mortgage rate movement).



The longer financial markets trade in these sorts of sideways patterns, the greater the potential of the subsequent move. More simply put, when rates and stocks break out of this pattern, the next move **could be just as sharp** as January's. With rates fairly close to 8-month lows, and the next move

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	5.4731	-0.0027

Pricing as of: 11/16 7:21PM 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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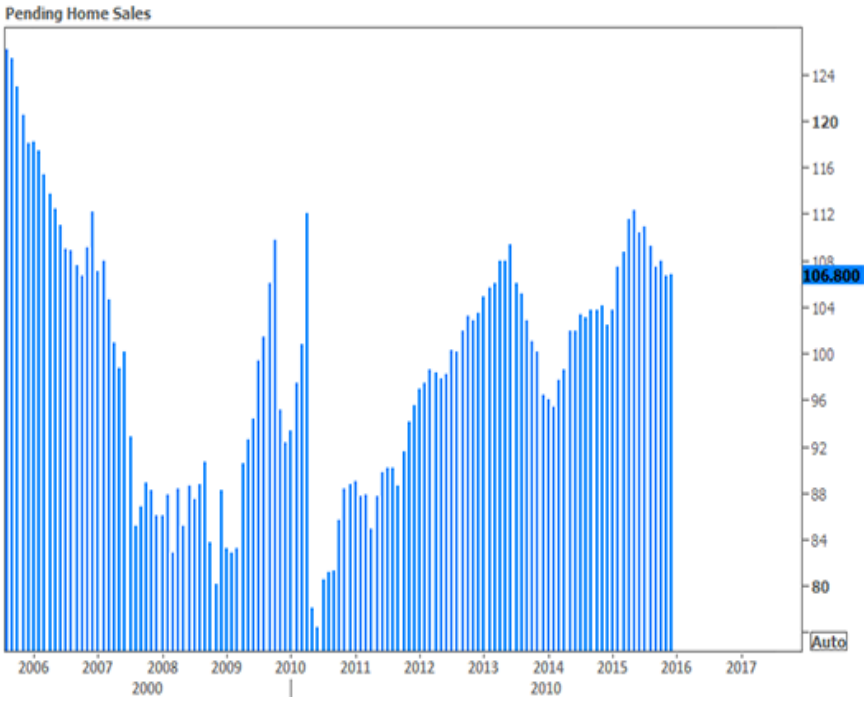
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running the risk of being big, there's nothing a mortgage borrower should regret about locking a rate.

No matter the strategy or goals, it's a great time to remain vigilant about day-to-day market movements. Set your own personal lines in the sand and act accordingly if they're crossed. For instance, are you considering locking a rate but hoping for rates to move lower? **Set a limit** as to how much higher rates could go before you'd cut your losses.

Housing and Economic Data Recap

Two of the big monthly housing reports were out this week and each told a different version of the same story. **Pending Home Sales**, released by the National Association of Realtors, showed just a modest improvement in December. The NAR also made a note of the general deceleration in the pace of sales owing to affordability issues and "grossly inadequate" homebuilding.

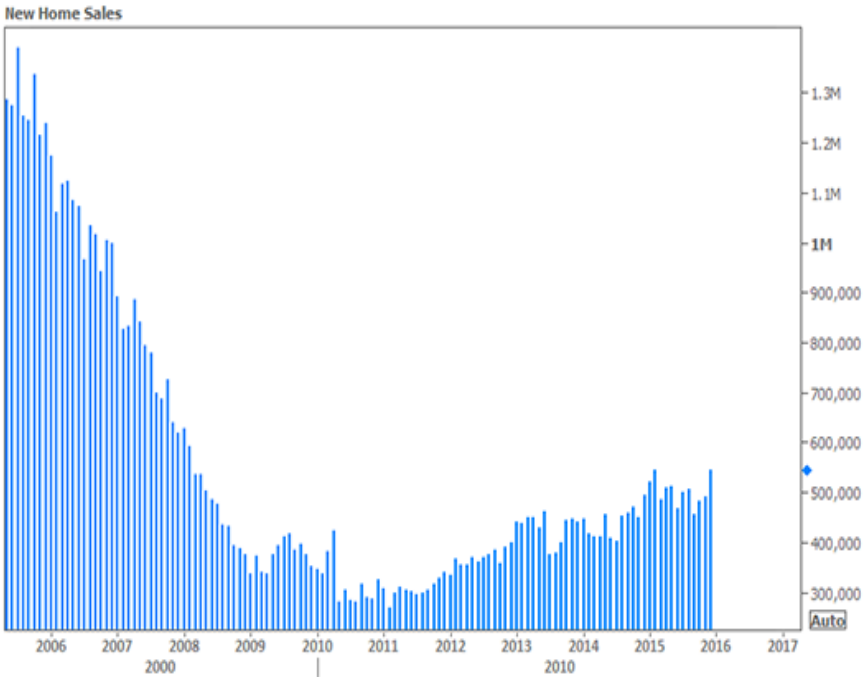


The Census Bureau released New Home Sales data earlier in the week. Unlike Pending Home Sales—which reflect contract signings on new or existing homes—New Home Sales only reflect sales of newly built homes. The Census Bureau relies much more on imputed construction data for this report, making it one of the more volatile pieces of home sales data. That disclaimer is especially necessary this month as New Home Sales had its **biggest bounce since 2007**.

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Elsewhere in housing data, we had 2 reports on Home Prices. Case-Shiller logged a 5.3 percent increase for November compared to a 5.1 percent increase in October. Black Knight saw prices appreciating at a roughly similar pace of 5.5 percent, but its more granular data showed **price declines** in several states.

In non-housing-related data, **the Fed was back** with another policy announcement. They weren't expected to even consider raising rates again at this meeting, but investors were still interested to see how they might change the verbiage of their announcement given January's market volatility. Indeed the Fed downgraded several of its assessments on the economic outlook, albeit subtly. Still, it was enough to help interest rates avoid moving higher in the middle of the week.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
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
10:00AM	Jan Consumer confidence	98.1	96.5	96.5
Wednesday, Jan 27				
7:00AM	w/e MBA Purchase Index	237.8		227.3
7:00AM	w/e Mortgage Refinance Index	1822.5		1638.1
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	w/e Initial Jobless Claims (k)	278	280	293
8:30AM	w/e Jobless claims 4-wk avg (k)	283		285.00

Event Importance:

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

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Date	Event	Actual	Forecast	Prior
8:30AM	w/e Continued jobless claims (ml)	2.268	2.240	2.208
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
Monday, Feb 01				
8:30AM	Dec Core PCE price index mm (%)	0.0	0.1	0.1
8:30AM	Dec Personal consump real mm (%)	+0.1		0.3
10:00AM	Dec Construction spending (%)	+0.1	0.6	-0.4
10:00AM	Jan ISM Manufacturing PMI	48.2	48.1	48.0
Tuesday, Feb 02				
9:45AM	Jan ISM-New York index	718.9		716.6
Wednesday, Feb 03				
8:15AM	Jan ADP National Employment (k)	205.0	195	257
10:00AM	Jan ISM N-Mfg PMI	53.5	55.1	55.8
Friday, Feb 05				
8:30AM	Jan Unemployment rate mm (%)	4.9	5.0	5.0
8:30AM	Jan Private Payrolls (k)	+158	183	275
8:30AM	Jan Non-farm payrolls (k)	+151	190	292

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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