

THE FEDERAL SAVINGS BANK



Co. NMLS# 411500



Ted Rood

Mortgage Banker, Homesite Mortgage LLC

NMLS #543290

2299 Technology Drive, Suite 2A5 O Fallon, Missouri

Office: 3147400004

Mobile: 314-740-0004

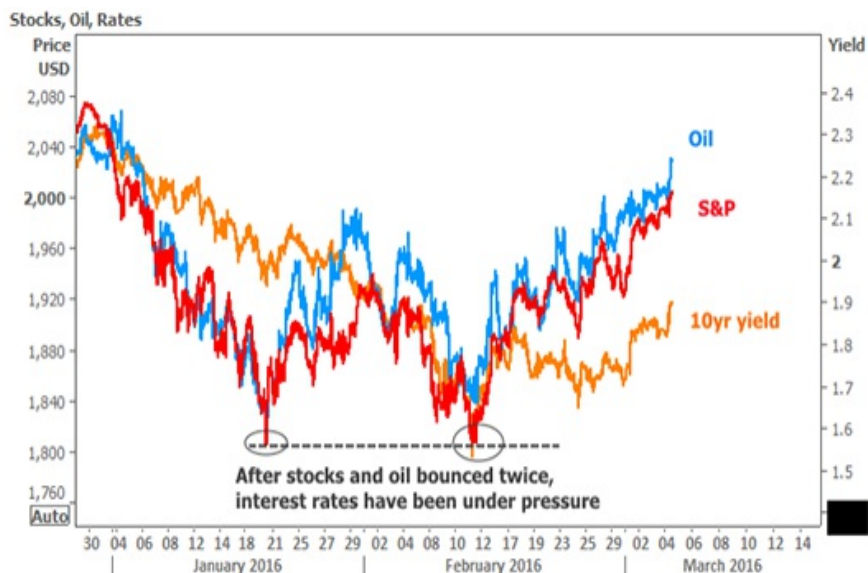
ted_rood@yahoo.com

Could This Be The Big Bounce For Rates?

Until this week, **interest rates** had been grinding sideways in an **exceptionally narrow range**, just off the long term lows seen in early February. March's biggest news has been the unequivocal break of that range—unfortunately, to the upside.

These risks began to take shape when stocks and oil prices managed to bounce in February at roughly the same levels seen in January. Investors were cautious about the possibility that this was a proverbial **“dead cat bounce.”** In other words, there was not widespread belief that stocks and oil would make it any higher than they did in January before falling again.

Those **beliefs have been changing** over the course of this week, with Friday's strong jobs report only increasing the momentum toward higher stocks, oil prices, and rates. In the following chart, 10yr Treasury yields are standing in as a more timely proxy for mortgage rates:



Of course, things **could** always change right back, and if they do, rates could certainly catch a break. But **history is unkind** when it comes to examples of rates entering (and leaving) the range seen in February. The last 2 times, rates went on to rise at least half a point. The only other time was in 2012, when the Fed was still expanding its asset purchases.

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

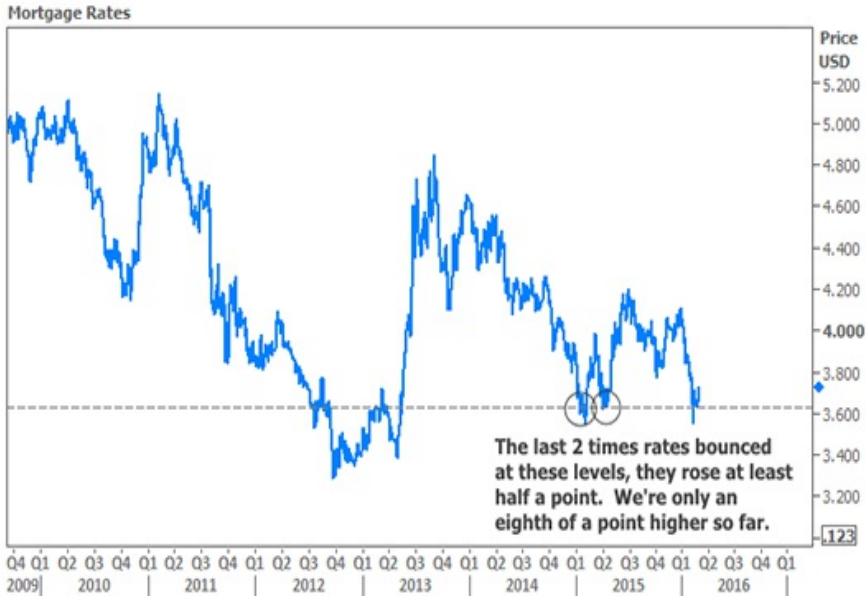
Market Data

| | Price / Yield | Change |
|----------------|---------------|---------|
| MBS UMBS 5.0 | 99.37 | +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

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% |

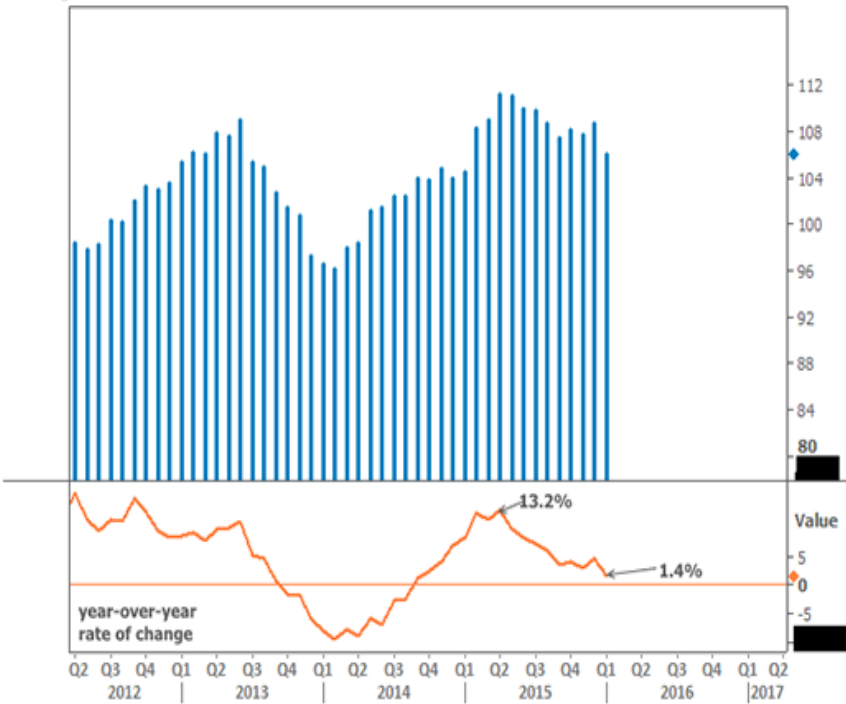


Of course, we’ve come to see that it does not necessarily require aggressive Fed policy to push interest rates lower. Indeed, there is still a long term scenario that could **eventually lead rates to new all-time lows**. If that ends up happening, it’s all but **guaranteed** that we’ll see periodic corrections along the way. These could last days, weeks, or months. Until we can rule out that we’re on the threshold of one of those bigger corrections, it makes much more sense to be **defensive** as opposed to crossing our fingers and hoping for rates to come back down.

Housing-Related Market Data

Pending Home Sales joined last week’s downbeat housing market indicators, falling to its lowest annual pace in 17 months. It comes as little surprise that lenders have increasingly cited ebbing consumer demand when asked about the factors driving **decreased profit margin outlooks**.

Pending Home Sales



Home prices are an exception to the shift in housing data, with most reports in agreement on strong gains. Corelogic noted [January's Home Price Index](#) rose to 6.9 percent, on the higher end of most estimates. [Black Knight's](#) most recent data covers through December and showed a milder 5.5 percent rate of appreciation.

In other housing data, [Multi-Family expenditures](#) hit a **record** in January, [mortgage applications](#) ebbed, and [distressed sales](#) now account for only 10 percent of all home sales.

Subscribe to my newsletter online at: <http://mortgageratesupdate.com/tedrood>

Recent Economic Data

| Date | Event | Actual | Forecast | Prior |
|--------------------------|---------------------------------|--------|----------|--------|
| Monday, Feb 29 | | | | |
| 9:45AM | Feb Chicago PMI | 47.6 | 53.0 | 55.6 |
| 10:00AM | Jan Pending homes index | 106.0 | | 106.8 |
| Tuesday, Mar 01 | | | | |
| 10:00AM | Jan Construction spending (%) | +1.5 | 0.4 | 0.1 |
| 10:00AM | Feb ISM Manufacturing PMI | 49.5 | 48.5 | 48.2 |
| Wednesday, Mar 02 | | | | |
| 7:00AM | w/e Mortgage Market Index | 496.5 | | 521.5 |
| 7:00AM | w/e Mortgage Refinance Index | 2104.5 | | 2267.4 |
| 7:00AM | w/e MBA Purchase Index | 216.7 | | 217.9 |
| 8:15AM | Feb ADP National Employment (k) | 214.0 | 190 | 205 |
| 9:45AM | Feb ISM-New York index | 720.8 | | 718.9 |
| Thursday, Mar 03 | | | | |

Event Importance:

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

| Date | Event | Actual | Forecast | Prior |
|--------------------------|-----------------------------------|--------|----------|--------|
| 8:30AM | w/e Initial Jobless Claims (k) | 278 | 275 | 272 |
| 8:30AM | w/e Continued jobless claims (ml) | 2.257 | 2.262 | 2.253 |
| 10:00AM | Feb ISM N-Mfg PMI | 53.4 | 53.2 | 53.5 |
| Friday, Mar 04 | | | | |
| 8:30AM | Feb Unemployment rate mm (%) | 4.9 | 4.9 | 4.9 |
| 8:30AM | Feb Private Payrolls (k) | +230 | 185 | 158 |
| 8:30AM | Feb Non-farm payrolls (k) | +242 | 190 | 151 |
| Monday, Mar 07 | | | | |
| 3:00PM | Jan Consumer credit (bl) | +10.54 | 17.00 | 21.27 |
| Wednesday, Mar 09 | | | | |
| 7:00AM | w/e Mortgage Refinance Index | 2055.9 | | 2104.5 |
| 7:00AM | w/e MBA Purchase Index | 225.7 | | 216.7 |
| Friday, Mar 11 | | | | |
| 8:30AM | Feb Import prices mm (%) | -0.3 | -0.6 | -1.1 |
| 8:30AM | Feb Export prices mm (%) | -0.4 | -0.5 | -0.8 |
| Wednesday, Apr 13 | | | | |
| 1:00PM | 10-yr Note Auction (bl) | 20 | | |
| Thursday, Apr 14 | | | | |
| 1:00PM | 30-Yr Bond Auction (bl) | 12 | | |

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.

Ted Rood 