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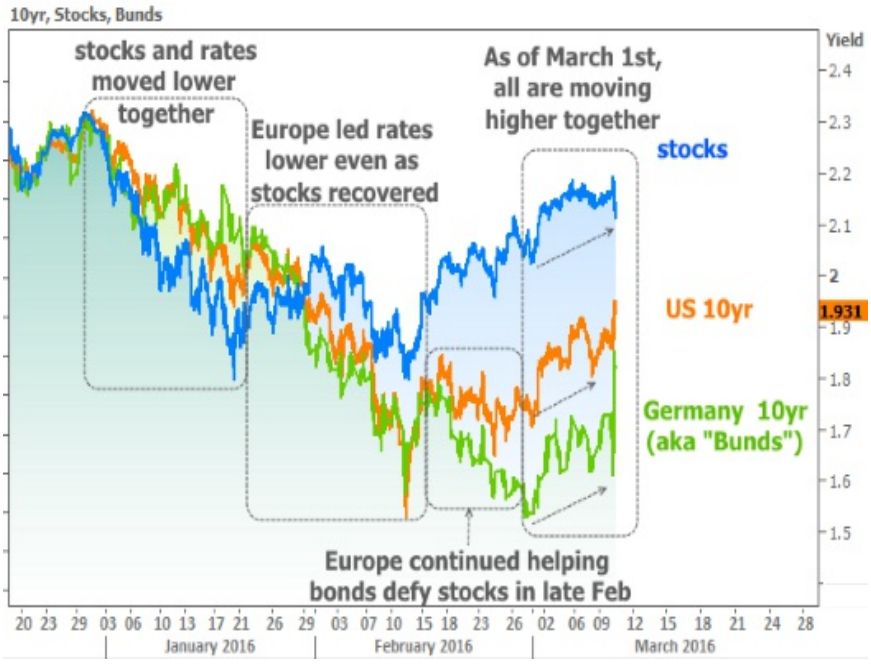
Mortgage Rate Outlook Staying Scary

Last week's headline asked if this could be the "big bounce" for rates. Unfortunately, this week's market movement has only **strengthened the case** for such a bounce. While rates are still historically very low, there are a few troubling caveats.

First of all, rates have been moving quickly higher over the past 2 weeks. If you were looking at locking more than 2 weeks ago, the quote could have been as much as a **quarter-point lower** than it would be today. That's a big move in relative terms.

As for the **rationale behind the quick moves**, that's a problem unto itself. Since the middle of January, European bond markets have been helping US bond markets (and thus, mortgage rates) hold in lower territory, even as stocks bounced higher from their lows.

This dynamic kicked into higher gear in February as European Central Bank (ECB) officials hinted at big monetary policy accommodation in the March meeting (read: dropping money from helicopters). The ECB made good on its promise this week, but it had a **paradoxical effect** on markets, pushing stocks lower and bond yields higher.



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 7:20PM 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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One way to reconcile this is to consider that financial markets often arrive at certain trading levels in advance of expected data, and then have no more desire to continue in the same direction once the data arrives. This is sometimes oversimplified with the phrase, "**buy the rumor, sell the news.**" Granted, the reaction to the ECB news is young, but so far, it's only confirming fears about a bigger bounce in rates.

Finally, there's the **location of the bounce itself**. Both in terms of 10yr Treasury yields and mortgage rates, it's the same territory as the bounce in early 2015. Moreover, this is a level that has only been broken during the Fed's QE3 campaign (which was the one that specifically targeted mortgage-backed-securities in September 2012).



The outlook isn't hopeless though. Markets could still be waiting to make any bigger moves until next week's FOMC Announcement. Even in the chart above, you can see the "lower highs" in addition to the "higher lows" that I've pointed out. To reiterate last week's closing thoughts, there is indeed still a long term scenario that could lead rates to **all-time lows**, and that scenario would **definitely** come with big, periodic, scary corrections. It continues to make the most sense to treat this as just such a correction until we can rule it out.

Housing-Specific News

Regulators clarified current rules on the use of **property evaluations** instead of appraisals.

Black Knight opines that the interest rate environment in early 2016 creates a "refi revival." In conjunction with widespread agreement on **strong home price appreciation**, it's no surprise to see cash-out refinances at the highest levels in 7 years.

How long can the good times last? Not forever, according to a Fannie Mae survey that showed **waning home price expectations**.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
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

Event Importance:

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

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Date	Event	Actual	Forecast	Prior
7:00AM	w/e MBA Purchase Index	225.7		216.7
Thursday, Mar 10				
8:30AM	w/e Initial Jobless Claims (k)	259	266	278
8:30AM	w/e Continued jobless claims (ml)	2.225	2.229	2.257
Friday, Mar 11				
8:30AM	Feb Export prices mm (%)	-0.4	-0.5	-0.8
8:30AM	Feb Import prices mm (%)	-0.3	-0.6	-1.1
Tuesday, Mar 15				
8:30AM	Mar NY Fed manufacturing	+0.62	-10.00	-16.64
8:30AM	Feb Retail sales mm (%)	-0.1	-0.2	0.2
10:00AM	Mar NAHB housing market indx	58	59	58
Wednesday, Mar 16				
8:30AM	Feb Building permits: number (ml)	1.167	1.200	1.204
8:30AM	Feb CPI mm, sa (%)	-0.2	-0.2	0.0
8:30AM	Feb Build permits: change mm (%)	-3.1		0.0
8:30AM	Feb Core CPI mm, sa (%)	+0.3	0.2	0.3
8:30AM	Feb Core CPI index, sa	245.93		245.23
8:30AM	Feb Housing starts number mm (ml)	1.178	1.150	1.099
2:00PM	N/A FOMC rate decision (%)	0.25-0.50	0.375	0.375
Thursday, Mar 17				
8:30AM	Mar Philly Fed Business Index	12.4	-1.7	-2.8
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 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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