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Fed Helps Rates Recover; Housing Data Mixed

Financial market **volatility** is starting to increase in a noticeable way as we approach the middle of the year without a Fed rate hike in sight. Heading into 2016, the average Fed member saw 4 rate hikes this year. By the March meeting, the consensus had fallen to only 2 hikes due to persistently low inflation and concerns about the global economy.

The March Fed Announcement kicked off our most recent run toward lower rates. By early April, 30yr fixed rates were as low as they'd been in **nearly 3 years** and very close to the all-time lows seen in 2012.

Rising oil prices combined with a slightly more austere outlook from the European Central Bank (ECB) to put a floor under global interest rates. Last week saw rates move **higher, faster** than any other week in the past 6 months after ECB President Draghi confirmed he just wants to give current policy time to benefit the economy.

In other words, the ECB isn't in a rush to drop rates any further or to add even more money to its asset purchase programs. Financial **markets love free money**, so when one of the world's biggest central banks puts a limit on it, markets pout.

This week offered a chance for the US Federal Reserve (Fed) to follow suit with news that would make markets **even crankier**. Many viewed Wednesday's Announcement as an opportunity for the Fed to firmly telegraph a June rate hike, much like its October Announcement telegraphed a December rate hike. After all, time is running out if they're going to hike twice in 2016 with enough time and space to allow markets to sort through an expectedly volatile response.

Instead, the Fed **shied away completely** from alluding to June rate hike prospects. The statement also downgraded its view of the economy and inflation, although it dropped the verbiage expressing immediate concern about the global economy.

The **takeaway** for markets is that the cost of money (via the Fed Funds Rate, which is as close a measurement to the "cost of money" as we have in the US) will remain a bit lower for a bit longer. As such, we saw rates move lower almost as quickly as they rose last week.

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

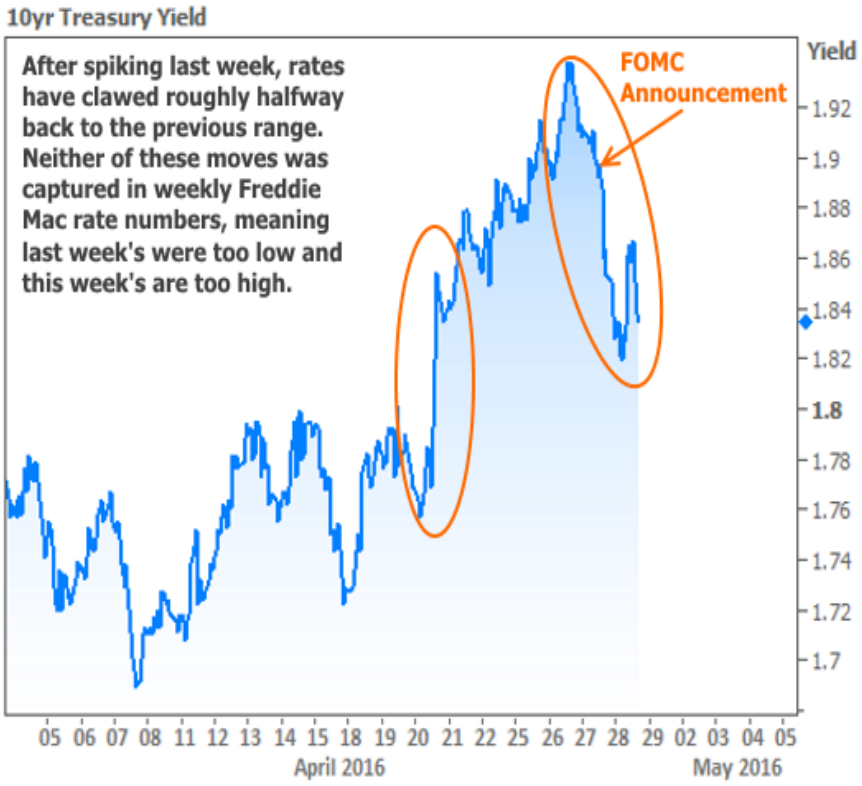
		Value	Change
Mortgage Apps	Nov 4	204.6	+6.23%
Building Permits	Sep	1.4M	+0.43%
Housing Starts	Sep	1.22M	-4.24%
New Home Sales	Sep	676K	-1.17%
Pending Home Sales	Aug	71.2	0%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Oct	29	-9.38%

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The following chart of 10yr yields (a good proxy for mortgage rate movement) captures the day to day volatility missing from Freddie Mac's weekly rate report.

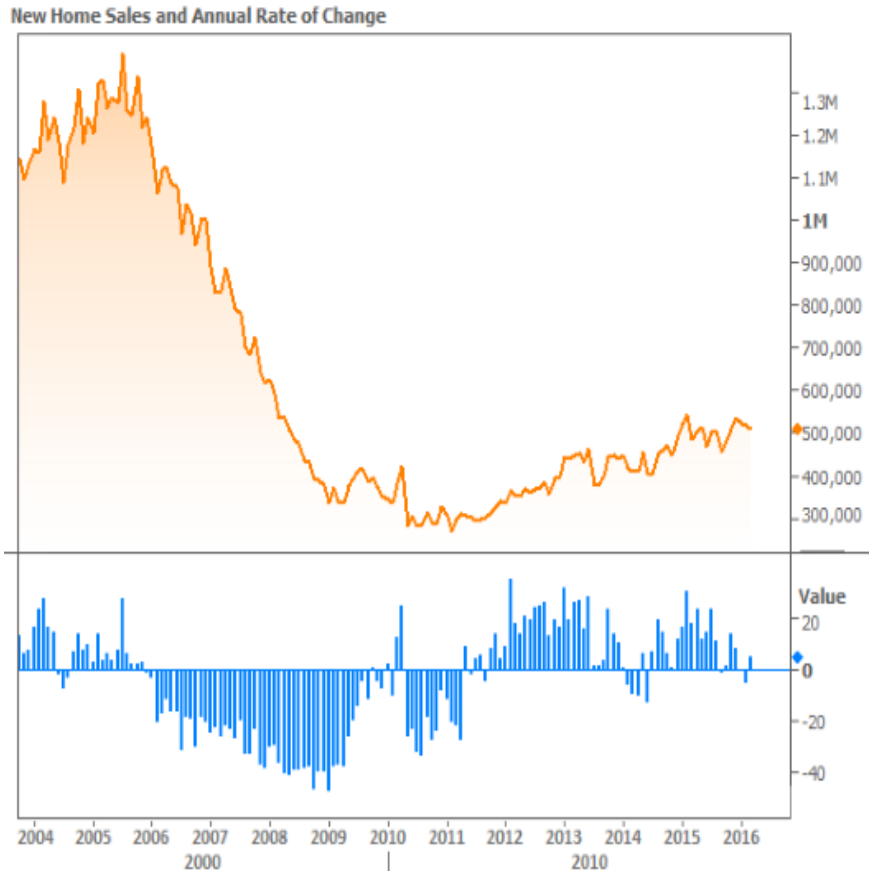


In **housing-specific news** and data New Home Sales **fell 1.5 percent** versus a median forecast calling for a 1.0 percent gain, but notably, moved back into positive territory year-over-year.

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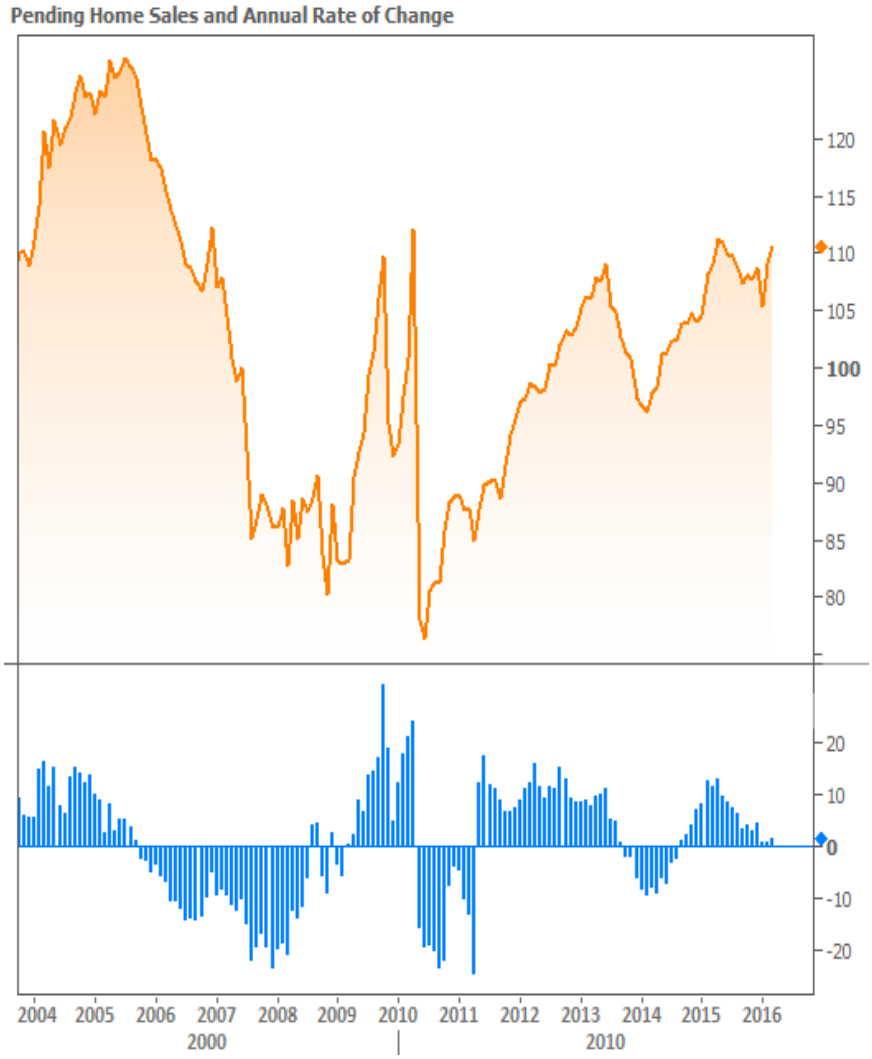


Pending Home Sales hit the highest levels in 10 months, but the NAR noted that "demand is starting to weaken in some areas, **particularly in the West**, where the median home price has risen an astonishing 38 percent in the past three years."

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Case-Shiller Home Prices continued running in the mid 5 percent range year-over-year, but the pace of gains is easing on a monthly basis. In a separate report, Black Knight concurred on the annual pace of home price appreciation, and further pointed out that prices are nearing their 2006 peak.

Although the rising prices mean fewer homeowners have to worry about being **underwater** in terms of home values, some will have to consider a more literal definition, thanks to global warming. An estimated $66-160 billion in real estate could be below sea level according to this Freddie Mac report.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Monday, Apr 25				
10:00AM	Mar New home sales-units mm (ml)	0.511	0.520	0.512
10:00AM	Mar New home sales chg mm (%)	-1.5	1.0	2.0
1:00PM	2-Yr Note Auction (bl)	26		
Tuesday, Apr 26				

Event Importance:

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

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Date	Event	Actual	Forecast	Prior
8:30AM	Mar Durable goods (%)	+0.8	1.8	-3.0
9:00AM	Feb CaseShiller 20 yy (%)	+5.4	5.5	5.7
1:00PM	5-Yr Note Auction (bl)	34		
Wednesday, Apr 27				
7:00AM	w/e Mortgage Market Index	505.4		526.8
2:00PM	N/A FOMC rate decision (%)	0.25-0.50	0.375	
Thursday, Apr 28				
8:30AM	w/e Initial Jobless Claims (k)	257	260	247
8:30AM	Q1 GDP Advance (%)	+0.5	0.7	1.4
Friday, Apr 29				
8:30AM	Mar PCE price index mm (%)	+0.1		-0.1
9:45AM	Apr Chicago PMI	50.4	53.0	53.6
10:00AM	Apr U Mich Sentiment Final (ip)	89.0	90.0	89.7
Monday, May 02				
10:00AM	Mar Construction spending (%)	+0.3	0.5	-0.5
10:00AM	Apr ISM Manufacturing PMI	50.8	51.4	51.8
Wednesday, May 04				
8:15AM	Apr ADP National Employment (k)	156.0	196	200
10:00AM	Apr ISM N-Mfg PMI	55.7	54.7	54.5
Friday, May 06				
8:30AM	Apr Non-farm payrolls (k)	+160	202	215
8:30AM	Apr Unemployment rate mm (%)	5.0	5.0	5.0

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.

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