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EQUAL HOUSING LENDER

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Good News For Housing and Mortgage Rates

Although last week saw a 7-year high in Existing Home Sales, **concerns about rates** and construction remained. With 2 major central bank announcements and New Home Sales data, the current week definitely could have added to the anxiety. Instead, it did just the opposite!

Let's start with rates. By the beginning of this week, they stood at the **highest** levels since the Brexit news in late June. Markets were clearly waiting to hear what the Fed and Bank of Japan had to say in their respective policy announcements on Wednesday and Thursday night.

The Fed was **expected** to talk up the economy, to some extent, given that the last jobs report was strong and that the fallout from Brexit has been less than catastrophic so far. Some even feared the Fed would take a page from its own playbook and use the verbiage in the current policy announcement to telegraph a rate hike at the next meeting (September in this case).

The Fed did, in fact, have nicer things to say about the economy, but they clearly **stopped short of telegraphing a September rate hike**. Although the Fed Funds Rate does not directly affect mortgage rates, if market consensus on the next hike is pushed further into the future (which was the effect of this week's announcement), most interest rates tend to fall. Mortgages are no exception.

The policy announcement from the Bank of Japan might seem like an odd thing for domestic investors to be too focused on, but major foreign central banks have had a huge hand in creating the current reality for financial markets. The Bank of Japan delivered a bit **less than expected** on Thursday night, thus putting slight upward pressure on rates. But it **wasn't** enough of a shock to deter bond buyers. Ultimately, rates moved back to 2-week lows by Friday afternoon.

In the bigger picture, not only does this keep the long term trend intact, but it really **calls into question the doomsday scenarios** in the financial news (interviews with analysts and strategists who say "the bottom is in" for rates). In order for these doomsday scenarios to be worthy of our attention, rates would need to be much higher than they are right now--somewhere in the "danger zone" as seen in the following chart.

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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Not only are we not even close, it would be easier to argue an impending move to new all-time lows. To be clear, rates can always move higher. I'm merely saying that, based on the charts, the decades-long trend toward lower rates is **alive and well**. People have been forecasting its demise for years, but it's not time to freak out yet.

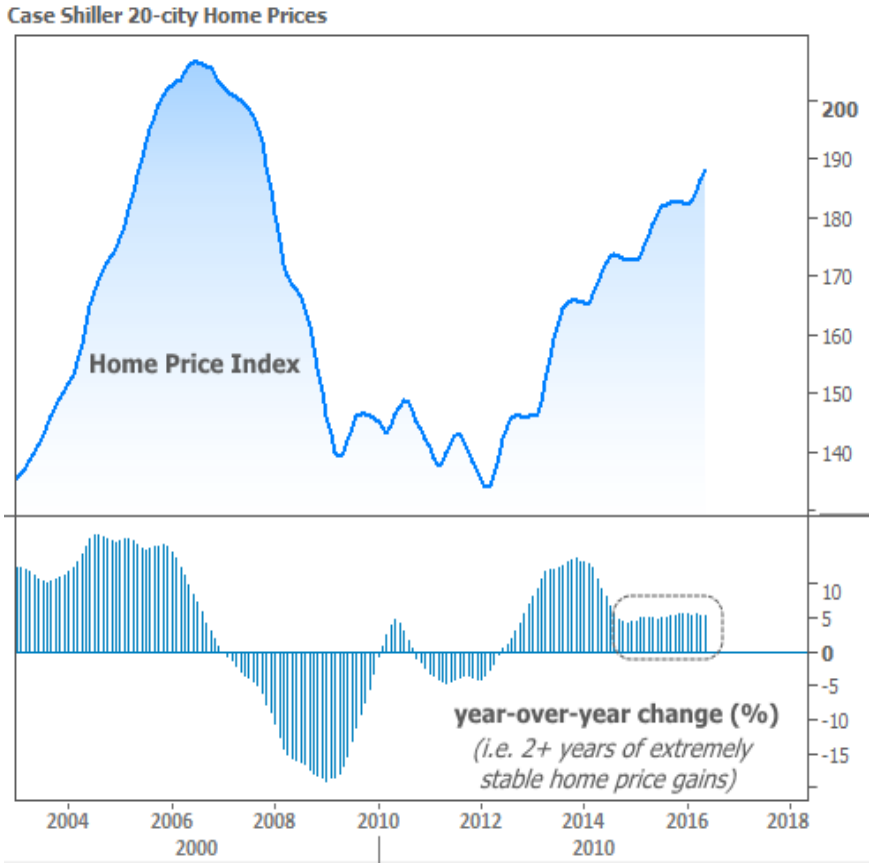
Housing-Specific News

Rising home prices are also doing a great job of avoiding their demise. This week's Case-Shiller data showed a **slight deceleration** in the pace of gains, but not enough to change the trend of 5-6% year-over-year appreciation, which has been uncannily steady over the past 2 years.

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Rounding out the trio of good news, we had New Home Sales hit a **post-crisis high** this month, coming in a 592k homes versus a median forecast of 560k. Granted, this is a more volatile data series, but it helps offset some of the weakness seen in last week's construction numbers. This makes the past 5-6 years look stellar in terms of New Home Sales growth, but in the bigger picture, we're just now getting back to the middle of the pre-boom range.

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Housing data wasn't all sunshine though. Pending Home Sales were **equivocal**, at best, missing their forecast despite rising slightly from the previous month.

Foreclosure starts were **surprisingly higher**, according to data from Black Knight, bucking a general trend of improvement in terms of mortgage performance.

Finally, the Census Bureau reported that homeownership fell to a new **all-time low** of 62.9 percent in the 2nd quarter. The caveat here is that record-keeping is relatively new--having begun in 1995--compared to the amount of time Americans have been owning homes.

Next week brings a slew of important data, culminating in Friday's big jobs report. If the data is unified in its message, it could have an even bigger impact on the Fed rate hike outlook than this week's policy announcement. That means rates run the risk of bouncing in the event of strong data, and they stand a chance to move back to all-time lows of the data is weaker.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Monday, Jul 25				
1:00PM	2-Yr Note Auction (bl)	26		
Tuesday, Jul 26				
9:00AM	May CaseShiller 20 yy (%)	+5.2	5.5	5.4
9:00AM	May CaseShiller 20 mm SA (%)	-0.1	-0.1	0.5
10:00AM	Jun New home sales-units mm (ml)	0.592	0.560	0.551
10:00AM	Jul Consumer confidence	97.3	95.9	98.0
1:00PM	5-Yr Note Auction (bl)	34		
Wednesday, Jul 27				
7:00AM	w/e Mortgage Market Index	545.8		614.3
8:30AM	Jun Durable goods (%)	-4.0	-1.1	-2.3
10:00AM	Jun Pending homes index	111.0		110.8
2:00PM	N/A FOMC rate decision (%)	0.25-0.50	0.375	0.375
Thursday, Jul 28				
8:30AM	w/e Initial Jobless Claims (k)	266	265	253
1:00PM	7-Yr Note Auction (bl)	28		
Friday, Jul 29				
8:30AM	Q2 GDP Advance (%)	+1.2	2.6	1.1
9:45AM	Jul Chicago PMI	55.8	54.0	56.8
10:00AM	Jul U Mich Sentiment Final (ip)	90.0	90.5	89.5
Monday, Aug 01				
10:00AM	Jun Construction spending (%)	-0.6	0.5	-0.8
10:00AM	Jul ISM Manufacturing PMI	52.6	53.0	53.2
Tuesday, Aug 02				

Event Importance:

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

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Date	Event	Actual	Forecast	Prior
8:30AM	Jun PCE price index mm (%)	+0.1		0.2
8:30AM	Jun Consumption, adjusted mm (%)	+0.4	0.3	0.4
Wednesday, Aug 03				
7:00AM	w/e Mortgage Market Index	526.8		545.8
8:15AM	Jul ADP National Employment (k)	179.0	170	172
10:00AM	Jul ISM N-Mfg PMI	55.5	56.0	56.5
Thursday, Aug 04				
10:00AM	Jun Factory orders mm (%)	-1.5	-1.8	-1.0
Friday, Aug 05				
8:30AM	Jul Non-farm payrolls (k)	+255	180	287
8:30AM	Jul Unemployment rate mm (%)	4.9	4.8	4.9

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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