

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

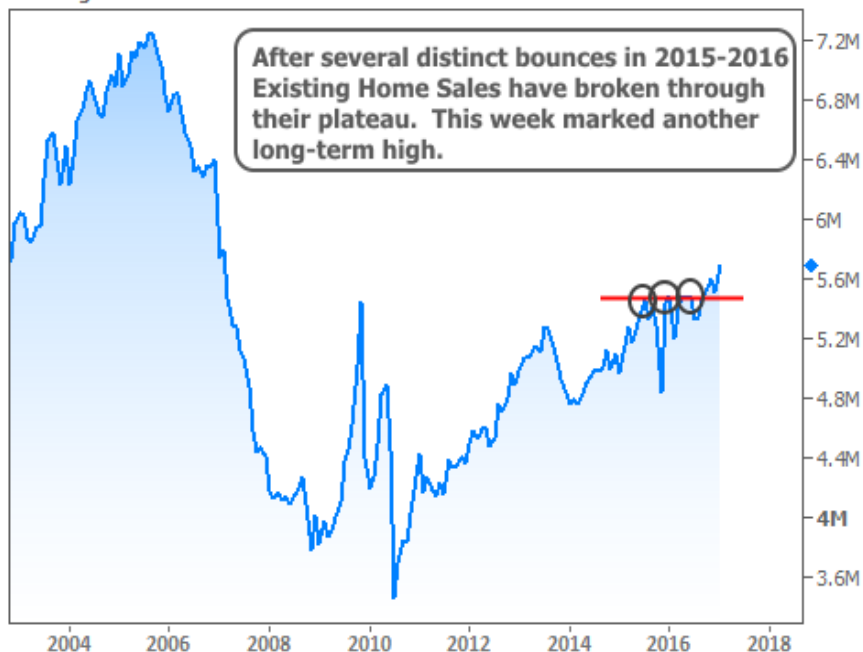
ted_rood@yahoo.com

Housing Market Resilience Defying The Odds

Given an ongoing plateau in home sales figures in 2015-2016, many housing economists thought the late 2016 rate spike would cement a slow-down for the housing market. Although purchase applications definitely took a hit at first, sales metrics have come roaring back.

Nowhere has this been more apparent than in Existing Home Sales, which hit another near-decade-long high this week. Granted, we haven't returned to 2004-2006 levels, but some would say that's a good thing as the current annual pace of 5.69 mln homes is more sustainable.

Existing Home Sales



New Home Sales haven't hit new highs for several months, but the positive trend remains very much intact. They improved this week to an annual pace of 555k vs 535k previously.

National Average Mortgage Rates



	Rate	Change	Points
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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

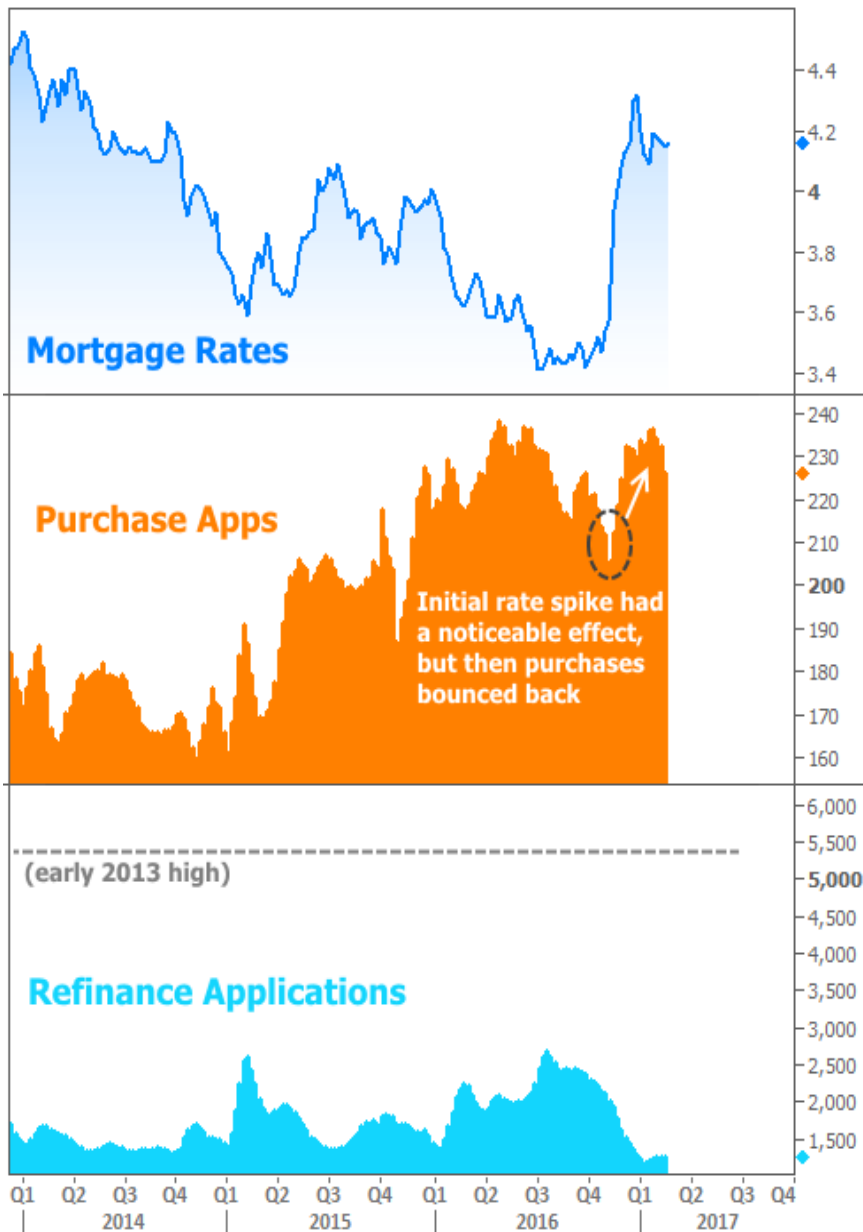
	Value	Change
Mortgage Apps	Aug 28 226.9	+0.49%
Building Permits	Mar 1.46M	-3.95%
Housing Starts	Mar 1.32M	-13.15%
New Home Sales	Mar 693K	+4.68%
Pending Home Sales	Feb 75.6	+1.75%
Existing Home Sales	Feb 3.97M	-0.75%
Builder Confidence	Mar 51	+6.25%

New Home Sales



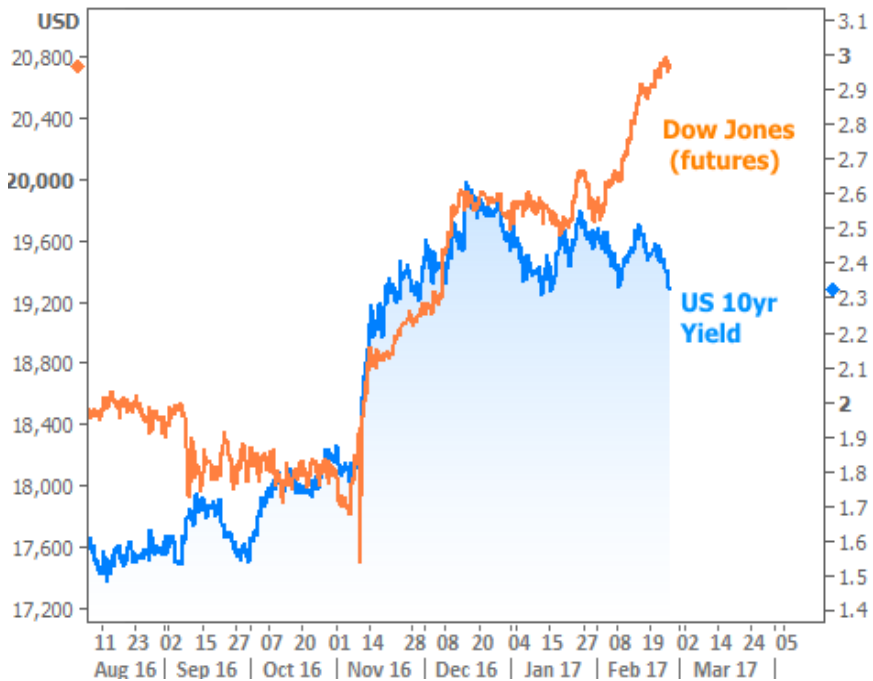
Perhaps just as heartening (or disheartening, depending on your position) is the current level of **price appreciation** seen in home sales figures as well as dedicated home price reports. Median prices in January rose **7.1 percent** for existing homes and **7.4 percent** for New Homes. In [separate data](#), the FHFA (which oversees Fannie and Freddie) reported a 6.2 percent annual rate of appreciation at the end of 2016, citing tight inventory as a key factor.

Forward-Looking indicators suggest the sales trends should remain in pretty good shape. While the Mortgage Bankers Association reported a [decline in applications](#) this week, **purchase apps** are still in pretty strong territory relative to the recent post-rate-spike lows. Refi applications have already taken the brunt of their expected damage and continue bouncing along their typical long-term lows.



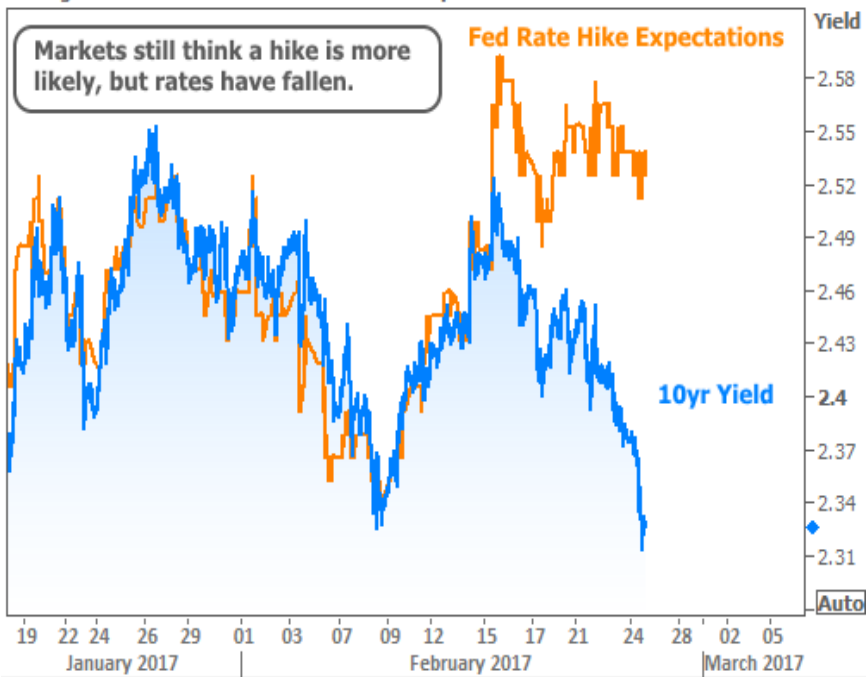
If the resilience in housing metrics wasn't encouraging enough, this week also saw **emerging resilience in interest rates**--a phenomenon made all the more interesting by the fact that rates have diverged from other indicators like stocks. In the post-election time-frame, rates and stocks had generally been moving together until this month.

Stocks vs Bonds



While it's tempting to chalk this divergence up to "earnings season" (something that occasionally accounts for stocks marching to their own beat), we have just as much evidence of rates marching to **their** own beat. Case in point, 10yr yields (a good proxy for mortgage rate momentum) have **broken away** from their strong correlation with Fed rate hike expectations.

Divergence Between Bonds and Rate Hike Expectations



What does this mean for you? Quite simply, rates are in a consolidation pattern. The highs are getting lower and the lows are holding steady. Such patterns are not uncommon after the sort of rate spike seen at the end of 2016. We'll explore the historical implications of a breakout as soon as it happens, but until then, it makes more sense to expect rates to bounce when they approach recent highs or lows.

US 10yr Yield



Next week brings a **hefty slate** of scheduled economic data and potential market-movers. Note that the big jobs report is postponed from its typical "first Friday of the month" time slot and will instead be out on Friday March 10th.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Tuesday, Feb 21				
1:00PM	2-Yr Note Auction (bl)	26		
Wednesday, Feb 22				
7:00AM	w/e Mortgage Market Index	371.5		379.0
10:00AM	Jan Existing home sales (ml)	5.69	5.54	5.49
1:00PM	5-Yr Note Auction (bl)	34		
Thursday, Feb 23				
8:30AM	w/e Initial Jobless Claims (k)	244	245	239
9:00AM	Dec Monthly Home Price yy (%)	6.2		6.1
9:00AM	Dec Monthly Home Price mm (%)	0.4		0.5
1:00PM	7-Yr Note Auction (bl)	28		
Friday, Feb 24				
10:00AM	Jan New home sales chg mm (%)	+3.7	6.3	-10.4
10:00AM	Feb U Mich Sentiment Final (ip)	96.3	96.0	95.7
Monday, Feb 27				
8:30AM	Jan Durable goods (%)	+1.8	1.8	-0.5

Event Importance:

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

Date	Event	Actual	Forecast	Prior
Tuesday, Feb 28				
8:30AM	Q4 GDP Prelim (%)	+1.9	2.1	1.9
9:00AM	Dec CaseShiller 20 yy (%)	+5.6	5.3	5.3
9:45AM	Feb Chicago PMI	57.4	53.0	50.3
10:00AM	Feb Consumer confidence	114.8	111.0	111.8
Wednesday, Mar 01				
7:00AM	w/e Mortgage Market Index	392.9		371.5
8:30AM	Jan Personal income mm (%)	+0.4	0.3	0.3
8:30AM	Jan Consumption, adjusted mm (%)	+0.2	0.3	0.5
8:30AM	Jan Core PCE price index yy (%)	+1.7		1.7
10:00AM	Feb ISM Manufacturing PMI	57.7	56.0	56.0
10:00AM	Jan Construction spending (%)	-1.0	0.6	-0.2
Thursday, Mar 02				
9:45AM	Feb ISM-New York index	731.9		731.3
Friday, Mar 03				
10:00AM	Feb ISM N-Mfg PMI	57.6	56.5	56.5
Wednesday, Apr 05				
2:00PM	FOMC Minutes			

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.

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