

THE FEDERAL SAVINGS BANK



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## 2 Very Different Ways to Look at Housing Numbers

This week was chock full of housing data ranging from construction and builder sentiment to the most recent tally on existing home sales. The takeaways can vary depending on your angle of approach. So let's look at all angles!

A key news item came from the New Residential Construction report, which counts building permits and "housing starts" (the breaking of ground on a new home). The headlines essentially wrote themselves as housing starts hit the highest level in **more than a decade**.

New Residential Construction



On the one hand, "highest in more than a decade" sounds impressive. **On the other hand**, considering where we were a decade ago, housing only needed to be "sideways to slightly stronger" to earn the distinction.

Caveats aside, things could certainly be much worse for home building, as can be seen in this week's Housing Market Index from the National Association of Home Builders. Although builder sentiment is down in recent months, it remains in historically high territory.

## 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

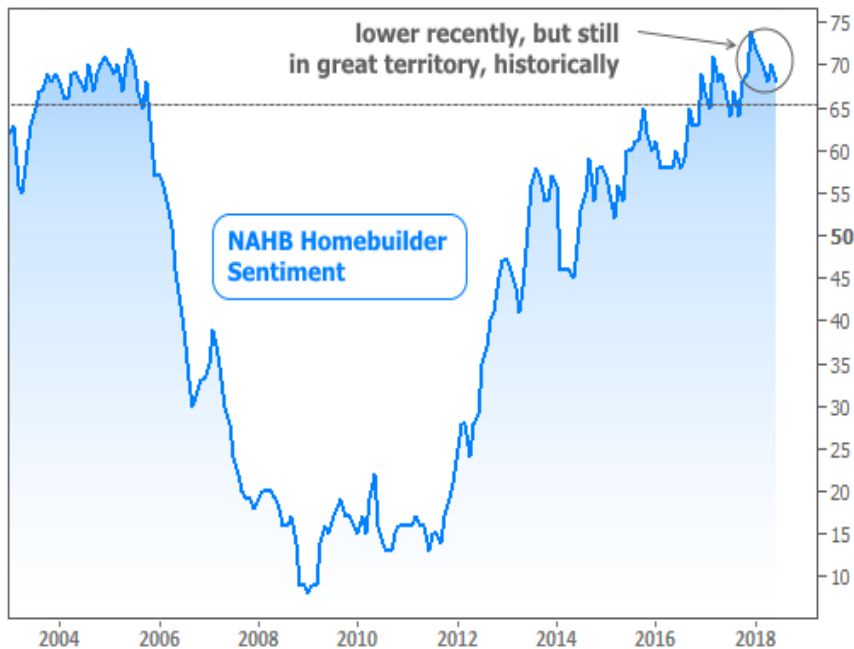
	Price / Yield	Change
MBS UMBS 5.0	99.37	+0.02
MBS GNMA 5.0	99.93	+0.02
10 YR Treasury	3.9068	+0.0029
30 YR Treasury	4.1960	+0.0028

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%

Homebuilder Sentiment



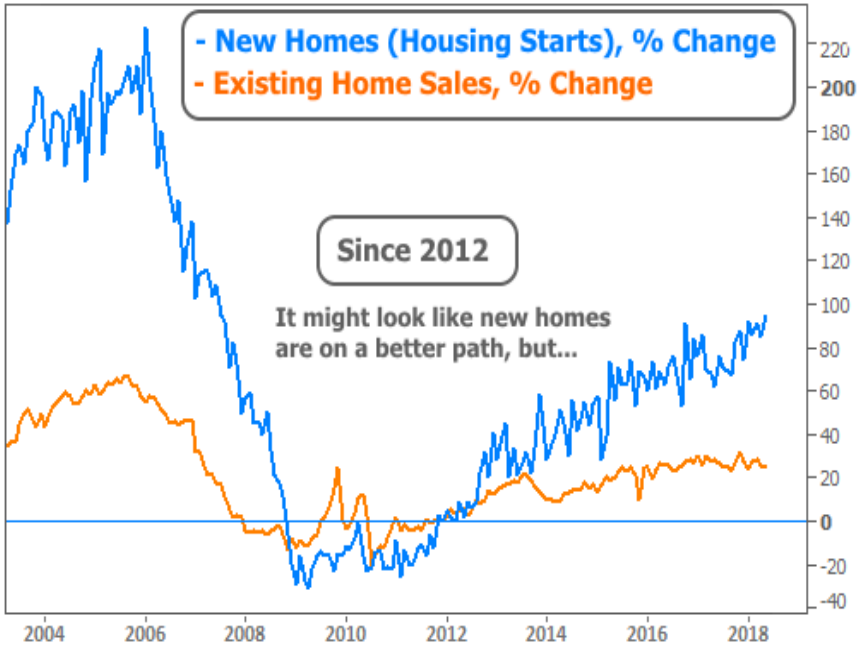
In separate data, the National Association of Realtors released its monthly report on Existing Homes. Sales continue trudging mostly sideways, raising questions about a potential ceiling.

Existing Home Sales



Based on the chart above, it looks like existing home sales aren't doing as well as new construction. We can compare the two more fairly in terms of "percent change." Even then, we can get two different impressions. For instance, with 2012 as a baseline, NEW homes look like the clear winner. But with a baseline of 2006 (before the crisis), new homes just have more catching up to do.

New vs Existing

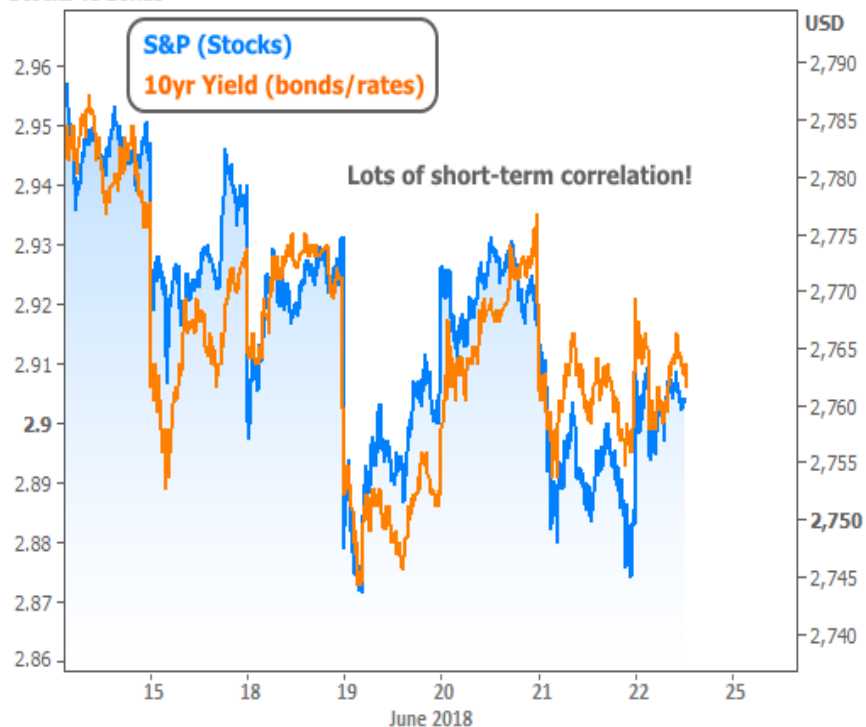


New vs Existing



It's not just housing data that has a tendency to look completely different depending on our vantage point. **Stocks and bonds** are another classic example. Conventional wisdom holds that bond yields (aka "interest rates") and stocks tend to move in the same direction. That was definitely the case this week, as can be seen in the following chart. Over shorter time frames, such a high level of correlation is common, but the long-term charts look very different.

Stocks vs Bonds



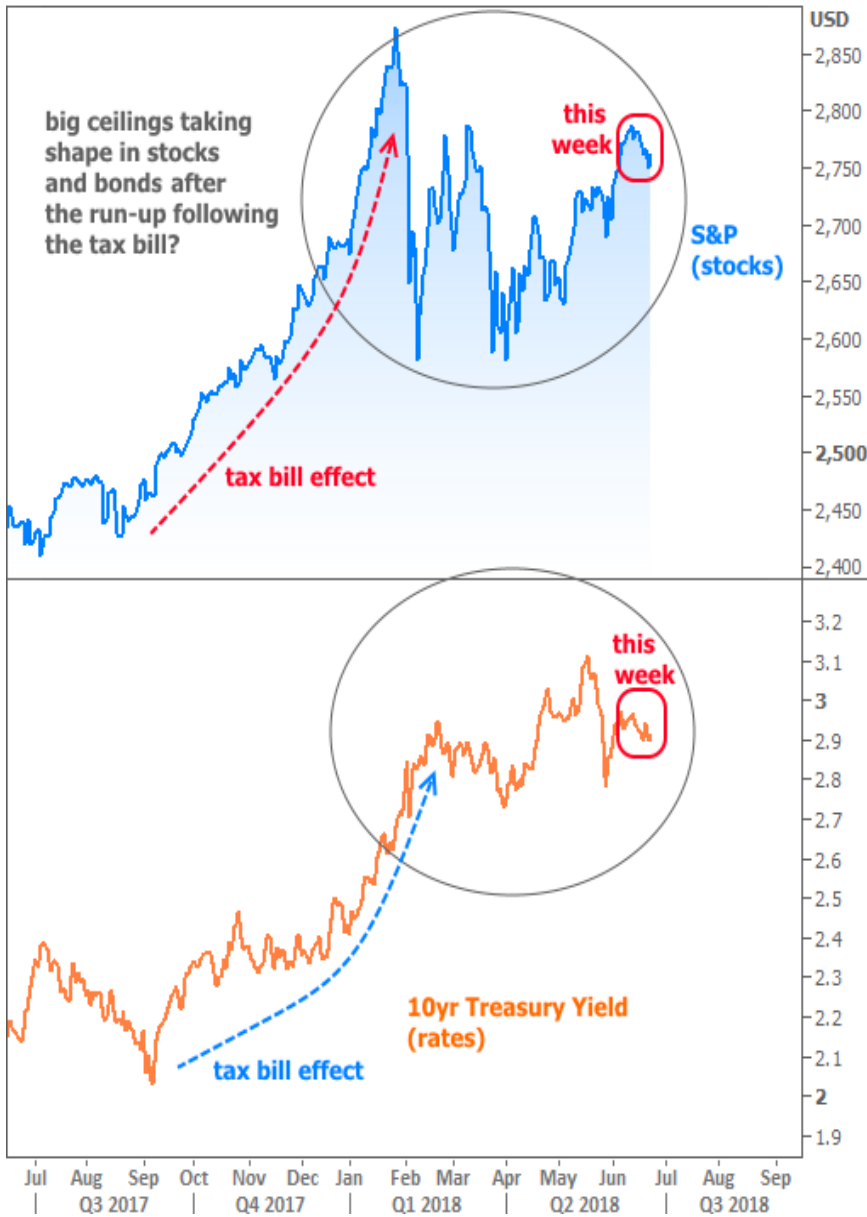
Stocks vs Bonds



While that longer-term chart might seem like it **disproves** the conventional wisdom, it actually contains some clues. For instance, notice that rates (orange line) were generally rising and peaking at the same time as stocks in 2000 and 2007. If we were to zoom in on those time frames and re-scale the chart, we'd begin to see much more correlation.

Some of the market-watchers calling for a recession or a stock correction are seeing the same potential correlation over the past 12 months. It's definitely NOT safe to assume this means a ceiling is in for rates. Rather, the point is that if stocks really are hitting a longer-term ceiling in 2018, the consolation is that rates would likely follow stocks lower.

## Stocks and Bonds



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## Recent Economic Data

Date	Event	Actual	Forecast	Prior
<b>Monday, Jun 18</b>				
10:00AM	Jun NAHB housing market indx	68	70	70
<b>Tuesday, Jun 19</b>				
8:30AM	May Housing starts number mm (ml)	1.350	1.310	1.287
8:30AM	May Building permits: number (ml)	1.301	1.350	1.364
8:30AM	May Build permits: change mm (%)	-4.6		-0.9
8:30AM	May House starts mm: change (%)	5.0		-3.7

## Event Importance:

No Stars = Insignificant

☆ Low

★ Moderate

★★ Important

★★★ Very Important

Date	Event	Actual	Forecast	Prior
<b>Wednesday, Jun 20</b>				
7:00AM	w/e MBA Purchase Index	259.6		249.0
7:00AM	w/e Mortgage Refinance Index	1052.3		992.2
10:00AM	May Existing home sales (ml)	5.43	5.52	5.46
<b>Thursday, Jun 21</b>				
8:30AM	Jun Philly Fed Business Index	19.9	29.0	34.4
8:30AM	w/e Jobless Claims (k)	218	220	218
<b>Monday, Jun 25</b>				
10:00AM	May New home sales chg mm (%)	+6.7	0.7	-1.5
10:00AM	May New home sales-units mm (ml)	0.689	0.667	0.662
<b>Tuesday, Jun 26</b>				
9:00AM	Apr CaseShiller 20 mm nsa (%)	0.8		1.0
10:00AM	Jun Consumer confidence	126.4	128.0	128.0
1:00PM	2-Yr Note Auction (bl)	34		
<b>Wednesday, Jun 27</b>				
7:00AM	w/e MBA Purchase Index	244.3		259.6
7:00AM	w/e Mortgage Refinance Index	1015.9		1052.3
8:30AM	May Durable goods (%)	-0.6	-1.0	-1.6
8:30AM	May Nondefense ex-air (%)	-0.2	0.5	1.0
10:00AM	May Pending Home Sales (%)	-0.5	0.5	-1.3
10:00AM	May Pending Sales Index	105.9		106.4
11:30AM	2-Yr Note Auction (bl)	16		
1:00PM	5-Yr Note Auction (bl)	36		
<b>Thursday, Jun 28</b>				
8:30AM	Q1 GDP Final (%)	+2.0	2.2	2.2
8:30AM	w/e Jobless Claims (k)	227	224	218
1:00PM	7-Yr Note Auction (bl)	30		
<b>Friday, Jun 29</b>				
8:30AM	May Personal Income (%)	+0.4	0.4	0.3
8:30AM	May Consumer Spending (Consumption) (%)	+0.2	0.4	0.6
8:30AM	May Core PCE (y/y) (%)	+2.0	1.9	1.8
9:45AM	Jun Chicago PMI	64.1	60.0	62.7
10:00AM	Jun U Mich 1Yr Inf Final (%)	3.0		2.9
10:00AM	Jun U Mich 5-Yr Inf Final (%)	2.6		2.6
10:00AM	Jun U Mich Sentiment Final (ip)	98.2	99.2	99.3

## 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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