

THE FEDERAL SAVINGS BANK



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## The Day Ahead: Another Day of Stock Watching; Don't Expect Miracles

Is there potential for today to turn into a "black Friday" with catastrophic stock losses that usher in the most amazing bond rally we've seen in years? Sure... that could happen any time, really, depending on the underlying events driving the move. In the current case, it's not highly likely unless we're ready to accept the end of the current economic expansion. That would be hard to do given the current course of economic data.

Rather, the big shift in stocks will be reserved for a time when we're also seeing a big enough shift in the underlying data to cool the Fed's rate hike aspirations. This is why people like to blame the Fed for "causing" stock sell-offs, but the fact is that it's the data driving the Fed AND stocks.

Based on the trajectory of data and Fed policy, it's almost impossible to imagine no additional rate hikes, let alone rate cuts. To whatever extent that's hard to imagine, it's equally hard to imagine stocks being ready to enter a bear market--at least if you ask the last 2 examples seen in the chart below. That said, the past examples were different enough that trying to time the top of the current move (in Fed rates or stocks, take your pick) is tricky business. It's one thing to say "around 2020, give or take a year," but that's pretty worthless when it's late 2018 and your average client's decision cycle is measured in 30-45 days.

## MBS & Treasury 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: 9/17:34PM EST

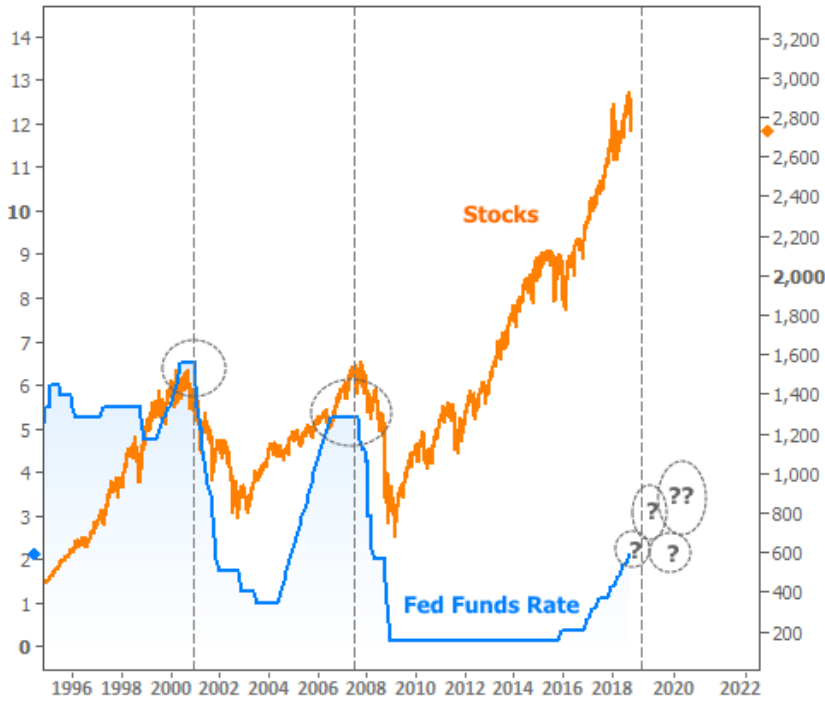


## Average Mortgage Rates

	Rate	Change	Points
<b>Mortgage News Daily</b>			
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
<b>Freddie Mac</b>			
30 Yr. Fixed	6.35%	-0.51	0.00
15 Yr. Fixed	5.51%	-0.65	0.00
<b>Mortgage Bankers Assoc.</b>			
30 Yr. Fixed	6.44%	-0.06	0.54
15 Yr. Fixed	5.88%	-0.16	0.68
30 Yr. FHA	6.36%	-0.06	0.85
30 Yr. Jumbo	6.75%	+0.07	0.39
5/1 ARM	5.98%	-0.27	0.65

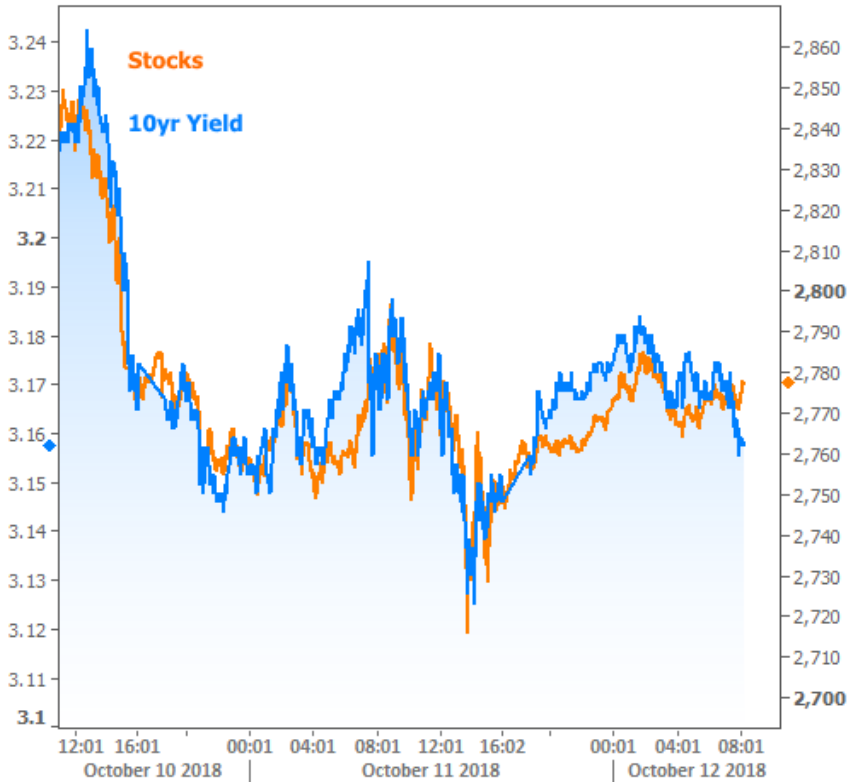
Rates as of: 8/30

stocks vs Fed



In the short term, we can certainly keep an eye on stocks as an indicator for intraday volatility in longer-term rates. Indeed, that's what the past few days have been all about.

stocks vs bonds



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## 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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