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Member FDIC

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Don't Believe The News on Mortgage Rates

As of Thursday, most major news outlets and even several important trade organizations ran headlines claiming mortgage rates were flat this week. But rates are **actually much lower** compared to last week. What's up with that?

The culprit is the weekly mortgage rate survey compiled by Freddie Mac which has been the mortgage world's go-to rate index for decades. There's **nothing wrong** with Freddie's data or the quotes it receives from loan originators. It's just stale.

The Freddie survey technically accepts responses from lenders on Monday through Wednesday, but in practice, Monday and Tuesday get almost all the weight. That can cause **obvious problems** when rates make big moves from Wednesday through Friday, which is exactly what happened this week.

The problem was compounded by the fact that Monday and Tuesday of last week saw the lowest rates. With that in mind, it is true that the rates from the beginning of this week weren't very different from those at the beginning of last week.

But when we look at more timely rate data, we see the average lender is offering rates that are **0.125% lower today** versus the end of last week. We also see that, at the time of the alarming rate headlines 2 weeks ago, actual rates had already turned the corner.

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	98.72	+0.02
10 YR Treasury	5.1271	-0.0071
30 YR Treasury	5.4736	-0.0022

Pricing as of: 11/16 7:39PM EST

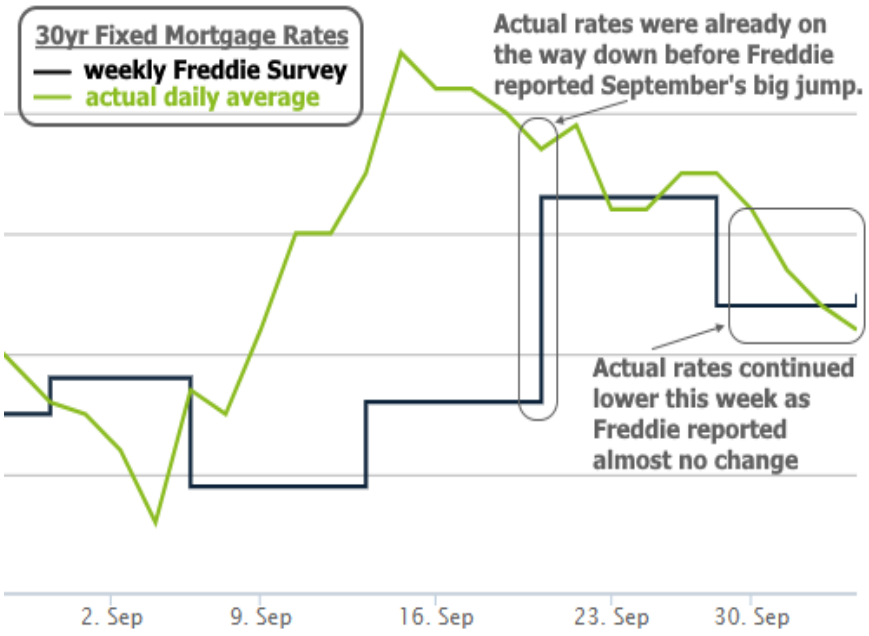
Recent Housing Data

		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%

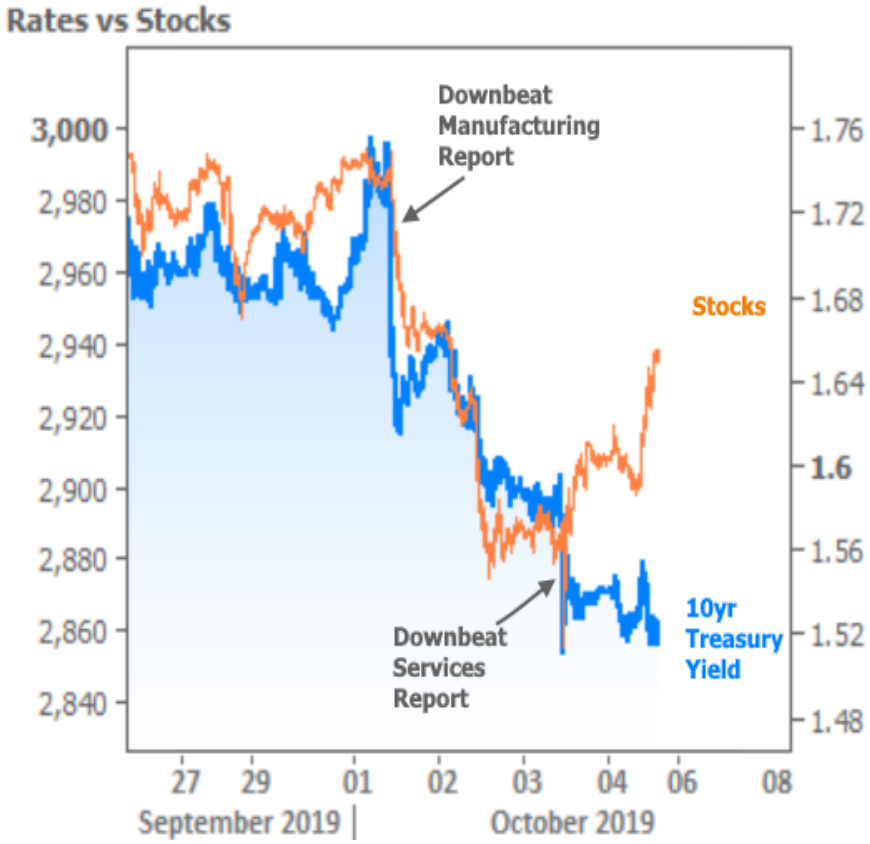
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All of the above brings rates back within **striking distance of multi-year lows** and marks the 3rd straight week moving solidly lower. Most of this week's improvement came courtesy of two key economic reports that showed much larger than expected declines in the manufacturing and services sectors. Weak economic data generally helps rates move lower, all other things being equal. It also tends to hurt stocks, as can be seen in the chart of this week's market movement.



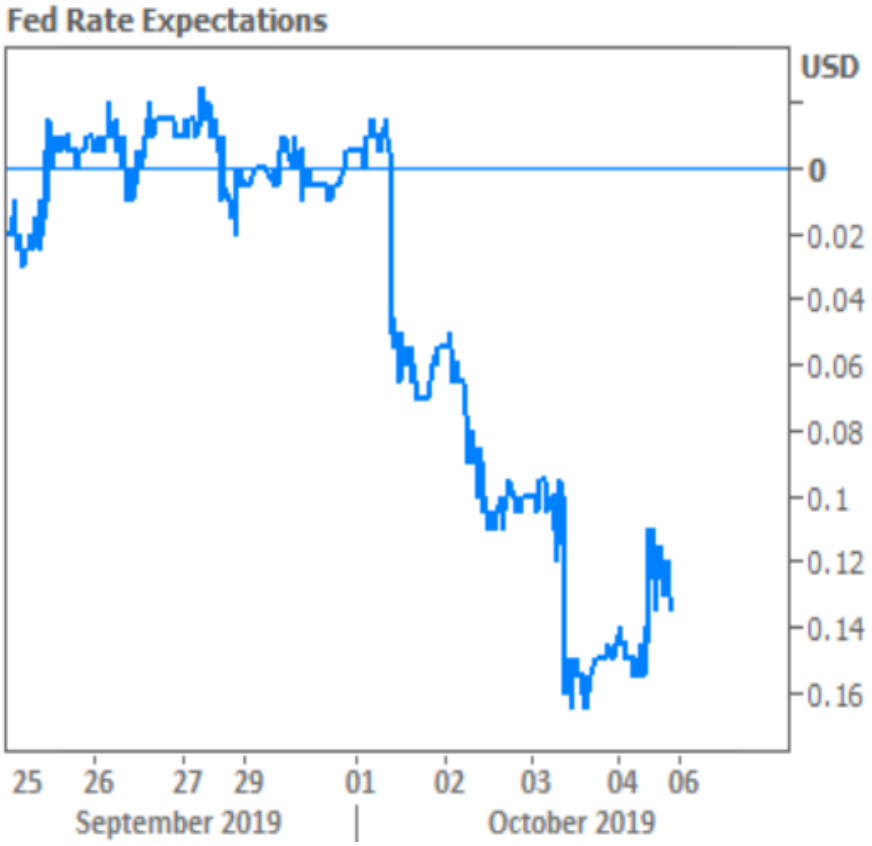
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The connection with the economic reports is clear. When investors sell stocks and seek safe-havens, the bond market is one of the first places they look. Higher demand for bonds equates to lower rates, all other things being equal. But **why did stocks move up** at the end of the week even as bonds continued to hug the lows?

When the economic data is weak enough **and** when we know the Fed is actively considering its options for rate cuts in the coming months based on that data, the market sees higher odds of deeper rate cuts. And stocks love Fed rate cuts. The following chart of Fed rate cut expectations shows the market priced in roughly **one half of an additional rate cut** just this week! Notably, the sharp decline on October 3rd lines up with the stock market bounce.



Fed rate expectations moved a bit **higher** on Friday after the big jobs report showed the **lowest unemployment rate in 50 years** and slightly stronger than expected job creation. (Fun fact: the job creation tally is based on businesses reporting their employee counts while the unemployment rate is based on a survey of households.)

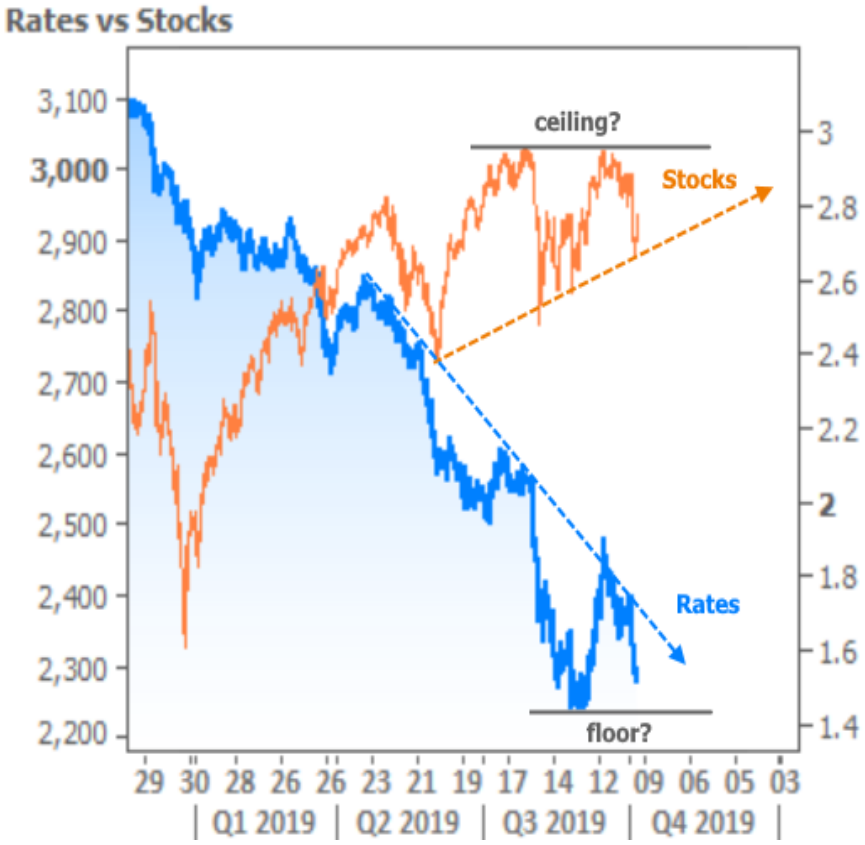
The dichotomy of ultra weak and ultra strong data highlights the market's current quandary. Investors are actively considering the possibility of economic **contraction** versus a **second wind** for the longstanding expansion. Proponents of the latter argue that trade-related uncertainty has only taken a temporary toll on the data and, once it is resolved, the weaker parts of the economy can bounce back to stronger levels.

This indecision is apparent when we zoom the stock/bond chart out to a slightly wider view. Both sides of the market are **just off their best levels** in a long time. Bonds would benefit more if economic weakness continues. Stocks are positioning for a friendly Fed and the fact that hope remains alive for the economic expansion to continue. As such, economic data will remain closely watched in the coming weeks.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Monday, Sep 30				
9:45AM	Sep Chicago PMI	47.1	50.2	50.4
Tuesday, Oct 01				
10:00AM	Sep ISM Manufacturing PMI	47.8	50.1	49.1
10:00AM	Aug Construction spending (%)	0.1	0.4	0.1
Wednesday, Oct 02				
7:00AM	w/e MBA Purchase Index	263.8		261.4
7:00AM	w/e Mortgage Refinance Index	2202.6		1928.0
8:15AM	Sep ADP National Employment (k)	135	140	195
Thursday, Oct 03				
8:30AM	w/e Jobless Claims (k)	219	215	215
10:00AM	Sep ISM N-Mfg PMI	52.6	55.0	56.4
10:00AM	Aug Factory orders mm (%)	-0.1	-0.2	1.4
Friday, Oct 04				
8:30AM	Sep Non-farm payrolls (k)	136	145	130

Event Importance:

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

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Date	Event	Actual	Forecast	Prior
8:30AM	Sep Unemployment rate mm (%)	3.5	3.7	3.7
8:30AM	Sep Average earnings mm (%)	0.0	0.3	0.4
Monday, Oct 07				
3:00PM	Aug Consumer credit (bl)	17.90	15.25	23.29
Tuesday, Oct 08				
8:30AM	Sep Core Producer Prices YY (%)	+2.0	2.3	2.3
1:00PM	3-Yr Note Auction (bl)	38		
Wednesday, Oct 09				
7:00AM	w/e MBA Purchase Index	252.2		263.8
7:00AM	w/e Mortgage Refinance Index	2418.1		2202.6
10:00AM	Aug Wholesale inventories mm (%)	0.2	0.4	0.4
1:00PM	10-yr Note Auction (bl)	24		
Thursday, Oct 10				
8:30AM	Sep Core CPI (Annual) (%)	2.4	2.4	2.4
8:30AM	w/e Jobless Claims (k)	210	214	219
1:00PM	30-Yr Bond Auction (bl)	16		
Friday, Oct 11				
8:30AM	Sep Import prices mm (%)	0.2	0.0	-0.5
8:30AM	Sep Export prices mm (%)	-0.2	0.0	-0.6
10:00AM	Oct Consumer Sentiment	96.0	92.0	93.2

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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