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EQUAL HOUSING LENDER

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The Trade Deal Just Made Your Mortgage Rate Higher, But There's a Catch

It would have been hard to make it through this week without hearing about Friday's trade deal progress, but how does it affect you? At face value, a healthy trade partnership is good for the global economy, but if you need a mortgage any time soon, the trade deal just pushed your rate **higher**.

Rates actually began moving higher on Wednesday, but Thursday and Friday were **especially** abrupt as financial markets hurried to get in position for a potential US/China trade announcement.

Why hurry now? Because this week was the first time China's top trade negotiator met with US negotiators at the White House since May. Inside sources suggested this would result in at least some sort of progress being announced, even if it was far from a finalized deal. That's exactly what happened.

This is actually where the "catch" in the headline comes in. Yes, the trade news hurt rates, **but** rates were **only** in a position to be hurt because trade news accounts for **so much** of 2019's impressive **drop** in rates.

Here's how that works: tariffs and trade fears damaged business confidence and contributed to a global manufacturing recession. Downbeat economic data led investors to put more money into safer havens like the bond market. When demand for bonds increases, rates fall.

With that in mind, anything that happens to **push back** on trade-related uncertainty would logically be **bad** for rates. This was painfully obvious for anyone who watched mortgage rates move up abruptly by the end of the week, but not so obvious for anyone who read rate coverage based on Freddie Mac's weekly mortgage rate survey.

Long story short, Freddie's survey mainly reflects Monday and Tuesday rates. So when there's a big move in the 2nd half of the week, the survey can be way off by the time it comes out on Thursday.

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	5.1286	-0.0056
30 YR Treasury	5.4758	0.0000

Pricing as of: 11/16 7:40PM EST

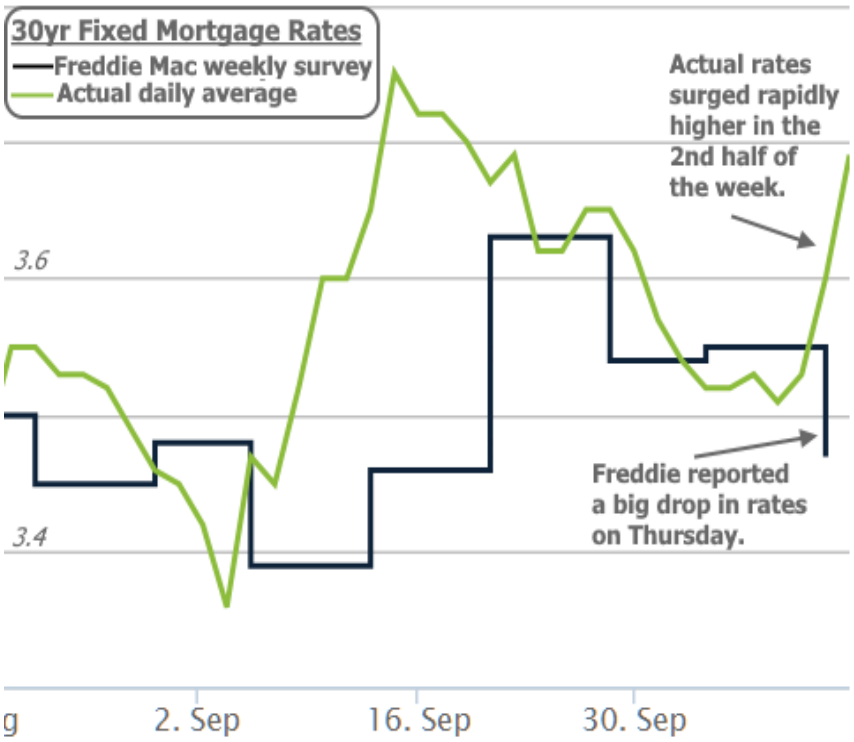
Recent Housing Data

		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%

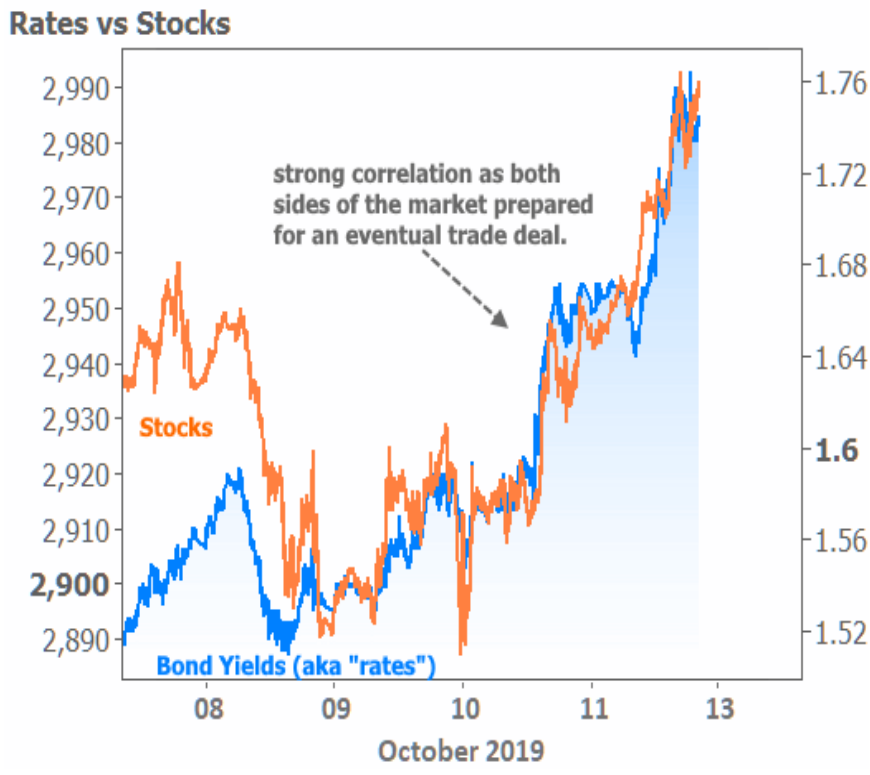
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The broader financial market confirms the timing of the volatility, with almost **all** the drama arriving on Thursday and Friday (the only 2 days that aren't included in Freddie's survey).



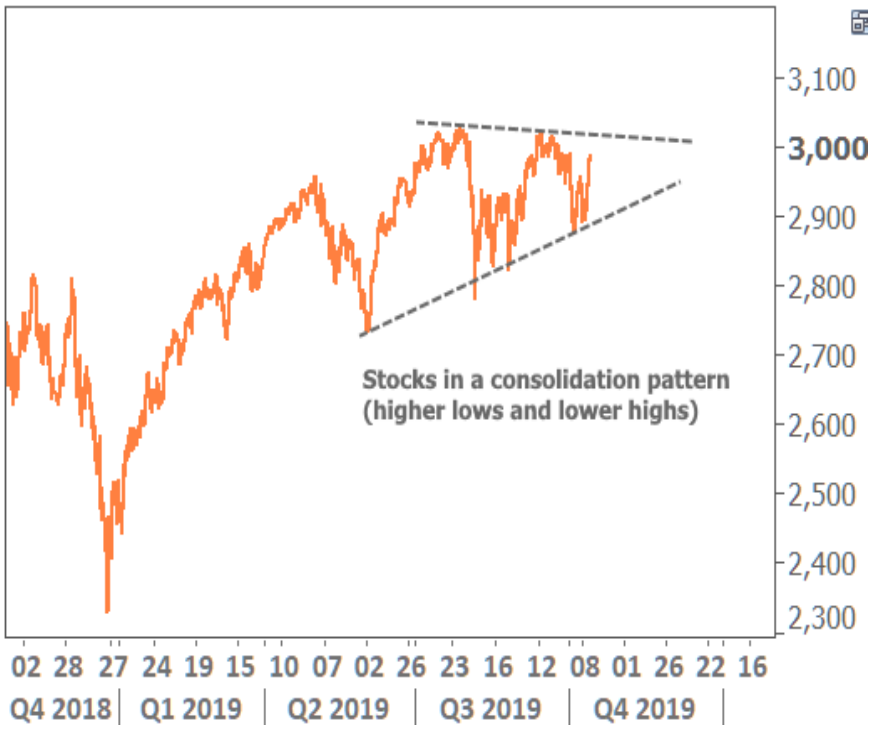
When we examine each of the lines above in a much broader context, we can see a lot of uncertainty. One of the ways markets express that is with a **consolidation pattern**, which is just a fancy way of saying that a chart is making higher lows and lower highs. In other words, the trading range is narrowing.

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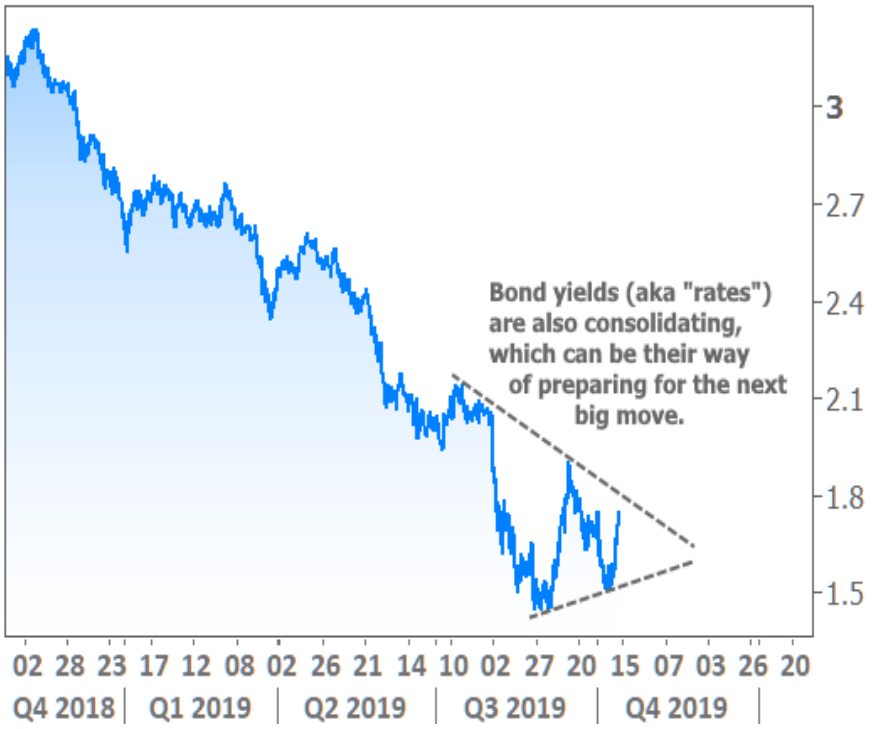
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Stocks



There's no universal rule as to what happens next after a consolidation pattern. Sometimes, a consolidation is merely a reflection of uncertainty that's followed by... **more uncertainty.** More of than not, however, they suggest **bigger moves ahead.** In other words, there's a slightly higher chance that rates will be back on the move after exiting this pattern.

Bonds



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The direction of the move depends first and foremost on the **state of economy** (weaker economy = lower rates, stronger economy = higher rates). With that in mind, next week is fairly sparse as far as economic reports are concerned. The Retail Sales data on Wednesday will be the only heavy hitter on the data front.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
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		
2:00PM	FOMC Minutes			
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
Monday, Oct 14				
12:00AM	Columbus Day			
Tuesday, Oct 15				
8:30AM	Oct NY Fed Manufacturing		1.00	2.00
Wednesday, Oct 16				
7:00AM	w/e MBA Purchase Index	250.6		252.2
7:00AM	w/e Mortgage Refinance Index	2505.8		2418.1
8:30AM	Sep Retail Sales (%)	-0.3	0.3	0.4
10:00AM	Oct NAHB housing market indx	71	68	68
10:00AM	Aug Business Inventories (%)	0.0	0.2	0.4
Thursday, Oct 17				
8:30AM	Sep House starts mm: change (%)	-9.4		12.3
8:30AM	Sep Build permits: change mm (%)	-2.7		8.2

Event Importance:

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

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Date	Event	Actual	Forecast	Prior
8:30AM	Sep Housing starts number mm (ml)	1.256	1.320	1.364
8:30AM	Sep Building permits: number (ml)	1.387	1.350	1.425
8:30AM	Oct Philly Fed Business Index	5.6	8.0	12.0
8:30AM	w/e Jobless Claims (k)	214	215	210
9:15AM	Sep Industrial Production (%)	-0.4	-0.1	0.6
Friday, Oct 18				
10:00AM	Sep Leading index chg mm (%)	-0.1	0.1	-0.3

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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