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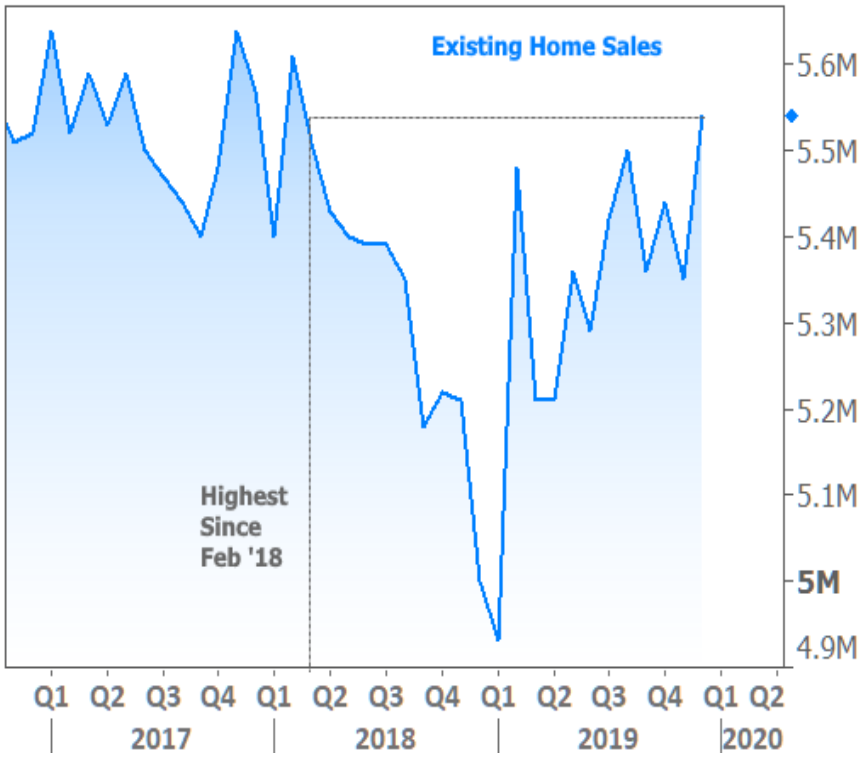
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How Coronavirus is Helping Housing

Although there were a few caveats, last week saw one of the biggest jumps in new home construction in more than decade. Now this week's data shows existing home sales at their highest in nearly 2 years, and close to highest in more than a decade. Is housing starting to **boom** again?

The following chart of existing sales helps put things in perspective. There were multiple months from 2016 through early 2018 where sales were similarly high, and several where they were higher. The **quickest conclusion** is that housing is merely getting back to where it was before after taking a year to cool-off a bit in 2018.



Things may not be that simple, however. December's inventory of homes for sale fell to a **record low** in the same report. And it's been near that level for 3 years running. To whatever extent an absence of inventory is constraining home sales, the housing market **could be even stronger** than the headlines suggest.

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	98.69	-0.01
10 YR Treasury	5.1260	-0.0082
30 YR Treasury	5.4774	+0.0016

Pricing as of: 11/16 7:27PM EST

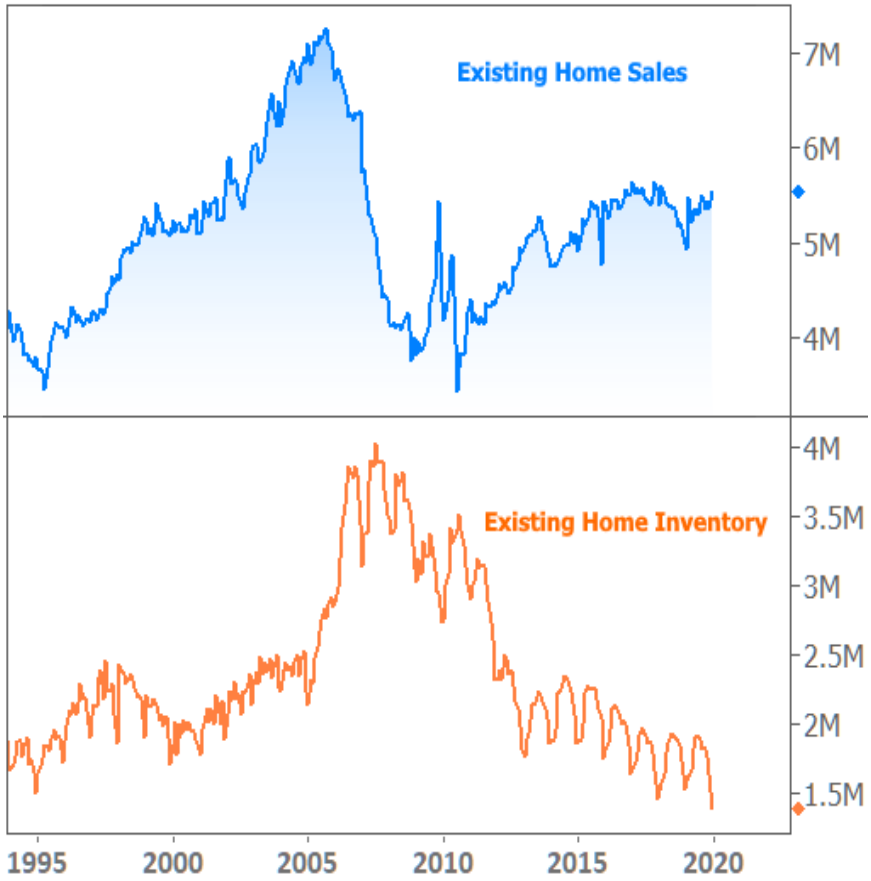
Recent Housing Data

		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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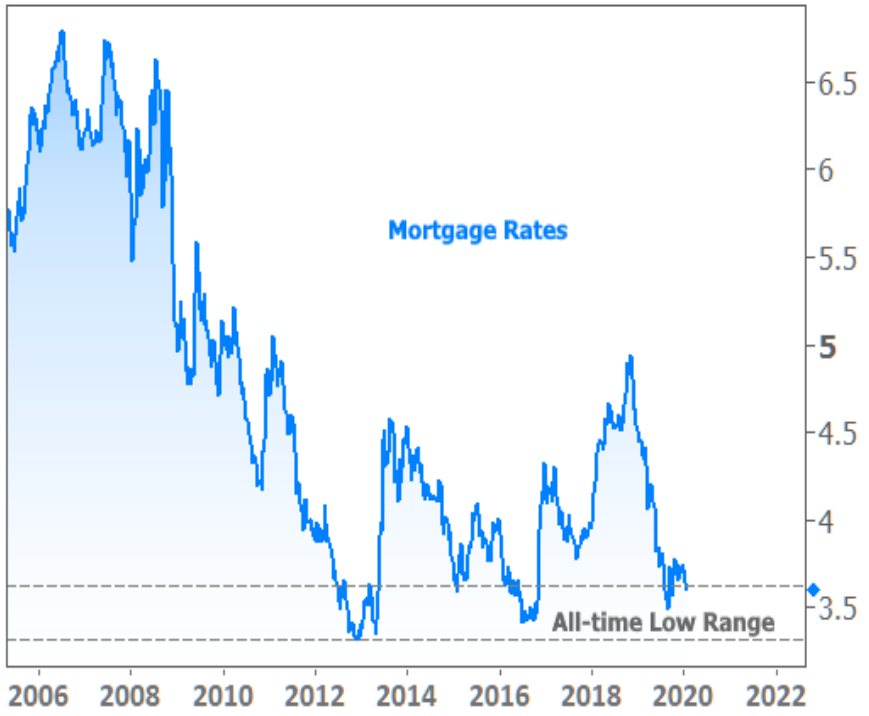
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There are several factors driving the strong home sales environment, but one factor that **always** matters is affordability. Given that the average home is financed, that makes mortgage rates a key factor in the health of the housing market.

Fortunately, rates are doing a great job of holding a steady range at levels that are not too far from all-time lows.



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Rates take cues from inflation, the economy, Fed policy, government spending, and headline news among other things. Assigning credit for today's low rates or guessing where they're headed next would involve a qualitative debate. One thing every market participant can agree on this week, however, is that the **coronavirus outbreak** in China (aka Wuhan Virus or simply "nCov," which means it's a "novel" or previously unseen type of coronavirus) has been **clearly** connected to lower rate momentum in the short term.

For those who haven't taken a deep dive into the impact of the Ebola news cycle in 2014 or SARS in the early 2000's, this **might sound like a joke**. It's not. Relative to the amount of people killed by SARS, its impact on financial markets was rather extreme, with some pundits crediting it for pushing Hong Kong into a brief recession in mid-2003.

In terms of the impact on interest rates in the US, when the CDC finally announced that SARS was **contained**, it marked the bottom of a quick move to the lowest rates in a long time.



Fast forward to January 2020 and the evolution of the coronavirus news cycle is the **defining factor** in a rate reversal. This move began earlier in the month when the identification of the virus put an end to upward momentum in rates. It then kicked into higher gear mid-month when China confirmed it could spread among humans. Since then, every major update on incidence and mortality has coincided with another little bump toward lower rates.

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Naturally, the whole world is hoping this outbreak is contained as quickly as possible. Until then, markets will continue accounting for the uncertainty by buying more bonds, and more bond buying means downward pressure on rates. Be aware (or even be "warned") that rates may bounce fairly quickly as soon as it looks like the tide is turning with respect to containment.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Wednesday, Jan 22				
7:00AM	w/e MBA Purchase Index	297.8		303.9
7:00AM	w/e Mortgage Refinance Index	2401.5		2444.7
10:00AM	Dec Existing home sales (ml)	5.54	5.43	5.35
10:00AM	Dec Exist. home sales % chg (%)	3.6	1.3	-1.7
Thursday, Jan 23				
8:30AM	w/e Jobless Claims (k)	211	211	204
10:00AM	Dec Leading index chg mm (%)	-0.3	-0.2	0.0
Friday, Jan 24				
9:45AM	Jan PMI-Services (Markit)	53.2	52.9	52.8
9:45AM	Jan PMI-Manufacturing (Markit)	51.7	52.5	52.4
Monday, Jan 27				
10:00AM	Dec New home sales chg mm (%)	-0.4	1.5	1.3
10:00AM	Dec New home sales-units mm (ml)	0.694	0.730	0.719

Event Importance:

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

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Date	Event	Actual	Forecast	Prior
11:30AM	2-Yr Note Auction (bl)	40		
1:00PM	5-Yr Note Auction (bl)	41		
Tuesday, Jan 28				
8:30AM	Dec Durable goods (%)	2.4	0.4	-2.1
9:00AM	Nov CaseShiller 20 yy (%)	+2.6	2.4	2.2
10:00AM	Jan Consumer confidence	131.6	128.0	126.5
Wednesday, Jan 29				
7:00AM	w/e MBA Purchase Index	313.7		297.8
7:00AM	w/e Mortgage Refinance Index	2581.2		2401.5
10:00AM	Dec Pending Sales Index	103.2		108.5
10:00AM	Dec Pending Home Sales (%)	-4.9	0.5	1.2
2:00PM	N/A FOMC rate decision (%)	1.500 - 1.750	1.625	1.625
Thursday, Jan 30				
8:30AM	Q4 GDP Advance (%)	2.1	2.1	2.1
8:30AM	w/e Jobless Claims (k)	216	215	211
Friday, Jan 31				
8:30AM	Dec Core PCE Inflation (y/y) (%)	+1.6	1.6	1.6
9:45AM	Jan Chicago PMI	42.9	48.8	48.9
10:00AM	Jan Consumer Sentiment (ip)	99.8	99.1	99.1
Tuesday, Jan 25				
1:00PM	7-Yr Note Auction (bl)	55		

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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