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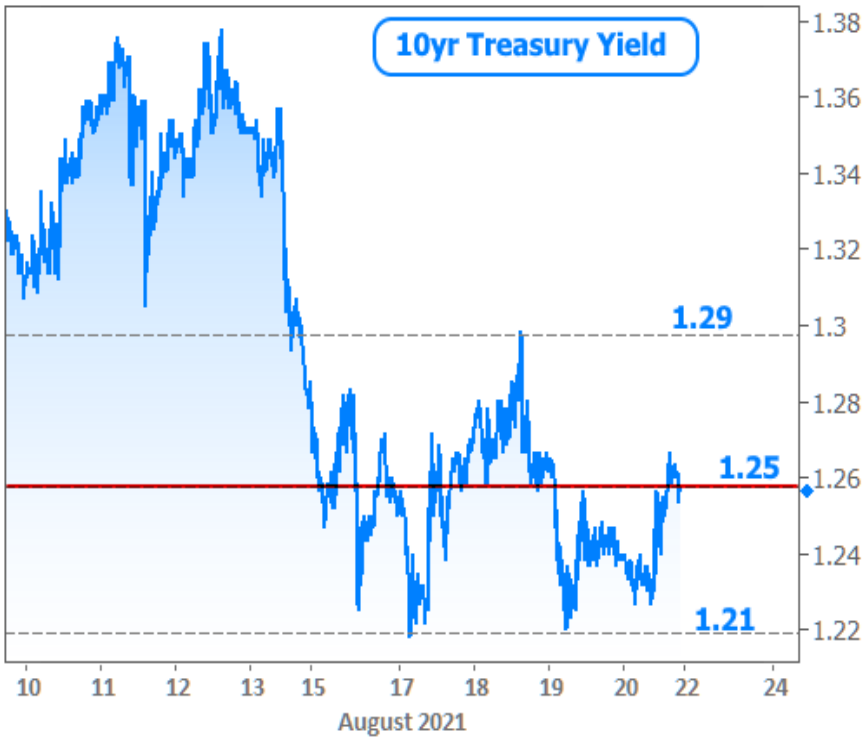
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Rates, Housing, Stuck In The Middle For Now

Rates are on hold until the next chapter is written in the complex saga of covid versus the market. This **isn't** to say rates perfectly flat--simply that the prevailing momentum has been sideways for the past few weeks.

Since mortgage rates only change once or twice a day, we can use 10yr Treasury yields to see finer detail. This entire week took place in the fairly narrow range of 1.29 to 1.21, and it ended with yields precisely in the middle at 1.25%.



Zoom out a bit and 1.25 remains at the center of a slightly wider (but still very "sideways") range.

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	98.71	+0.01
10 YR Treasury	5.1266	-0.0076
30 YR Treasury	5.4758	0.0000

Pricing as of: 11/16 7:22PM 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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What's the point? Bonds (and thus "rates") are muddling through a period of indecision as they wait for clarity. Bonds ultimately care most about things like the economy and Fed policy. In turn, the economy and the Fed have a lot riding on the covid outlook.

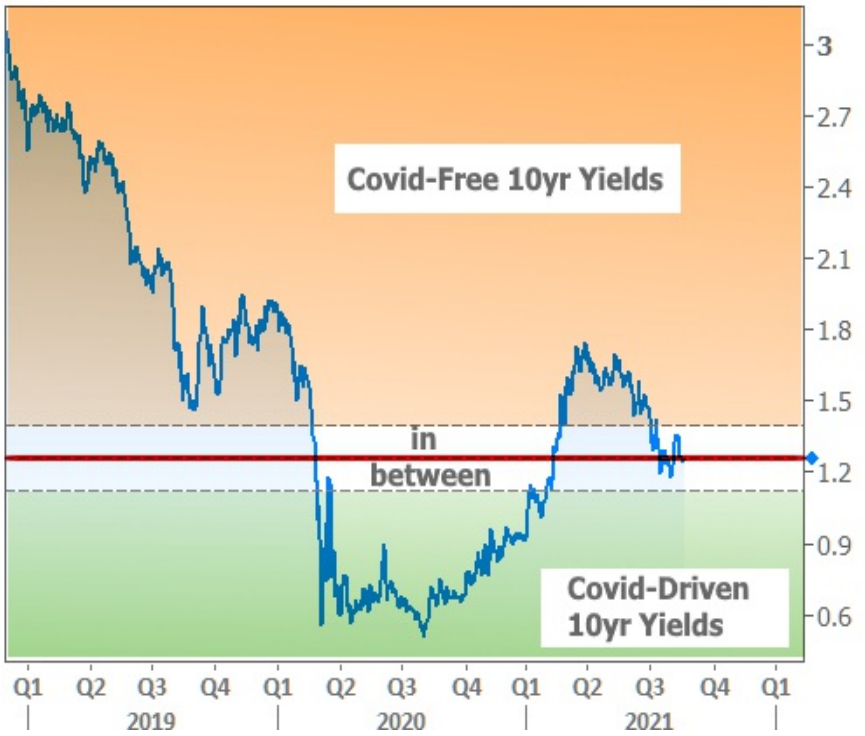
The burning question: Will the delta surge do even a fraction of the damage to the economy seen during the initial covid surge?

It certainly doesn't look like it will be in the same league at the moment, but the point is that we're nonetheless **forced to wait and see**. In fact, it's not unfair to say that bonds are lost in the desert between two familiar towns: one that is pretty unpleasant in terms of interest rates and the other that is equally unpleasant from a public health standpoint.

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Where will clarity come from? It's complicated. The Fed can give us clarity on how they will approach things. We got a taste of that on Wednesday with the release of the Minutes from the most recent Fed meeting. But that meeting happened at the end of July and **a lot** has changed since then.

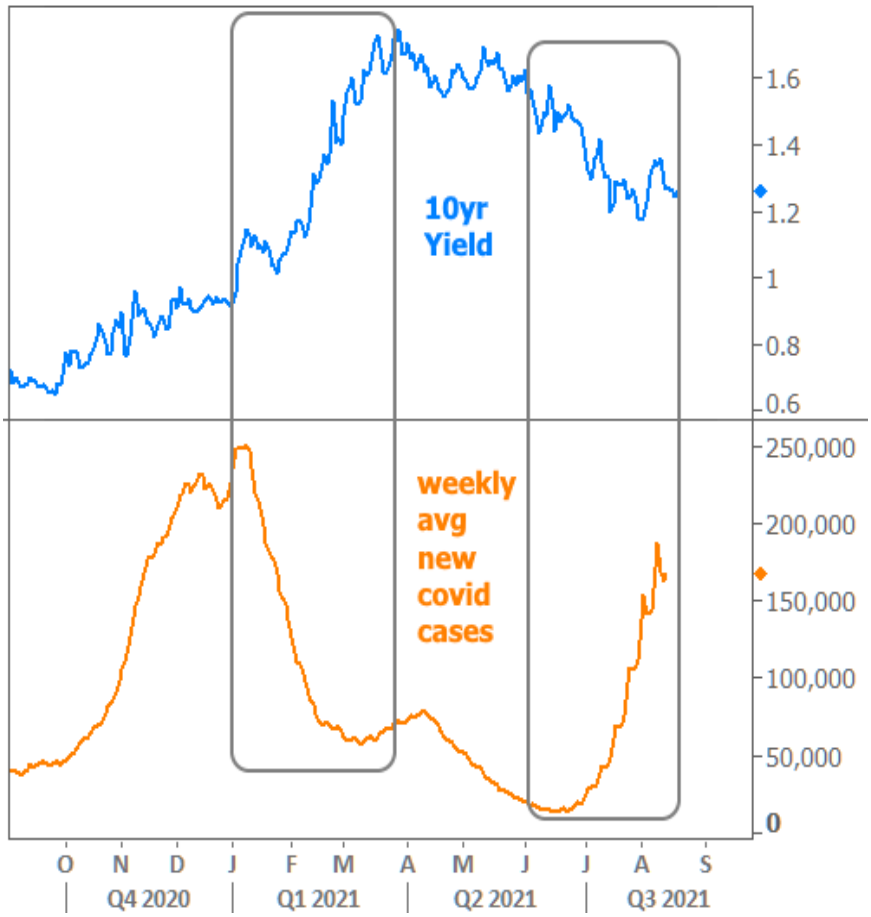
Because of that, many market participants are looking for clarity from Fed Chair Powell when he speaks (virtually) at the Fed's Jackson Hole symposium next Friday. Based on the tone in Wednesday's Minutes, it would be a **surprise** to see Powell signal an abrupt shift **away** from the Fed's rate-friendly policies just yet.

The **more important clarity** comes from covid numbers. Indeed, all other sources of clarity depend on the covid outlook to some extent. Markets know this. As such, big swings in covid numbers offer one of the simplest explanations for the broad trends in rates.

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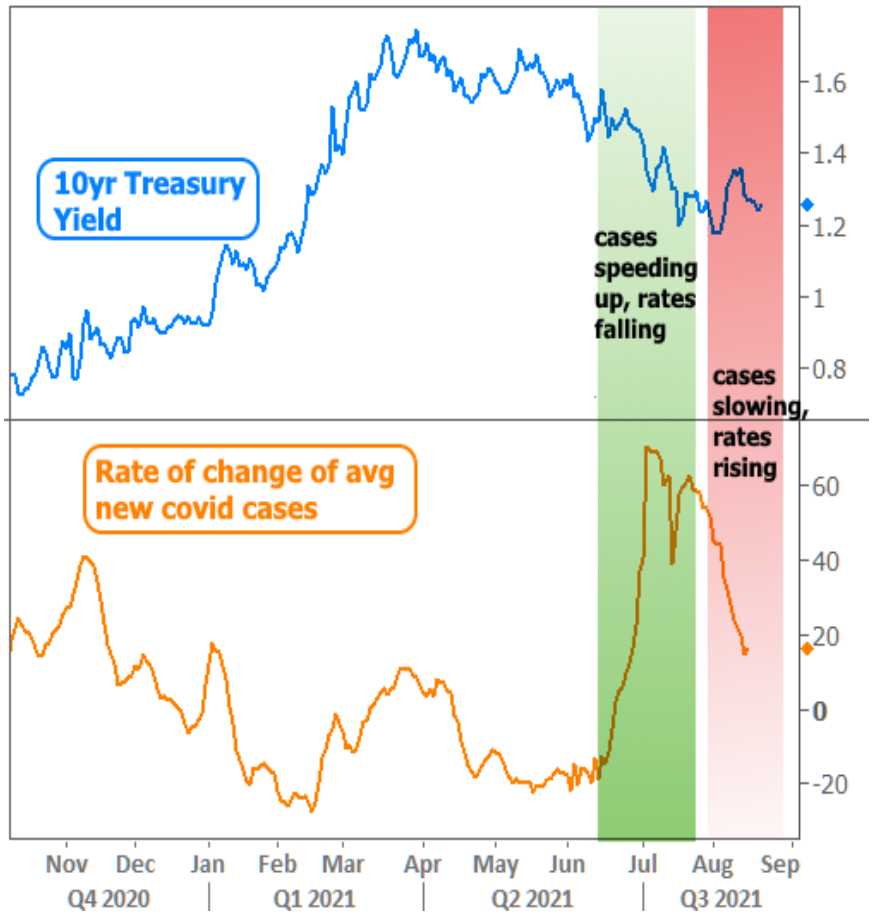


Traders **looking to get ahead** of the curve may be honing in on the acceleration and deceleration in daily case counts. While cases are obviously still rising, they're not rising as fast. If that trend continues (and especially when it reverses), it will be increasingly challenging for bonds and rates to maintain composure. In other words, falling daily case counts would make a strong case for upward pressure on rates.

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What does all this mean **in plain English?** Rates are low--much lower than most anyone expected at this point in the year. The key reason is "delta" and Fed's patient approach to changing rate-friendly policies. The lingering concerns about the nature of the post-covid economy also make the list.

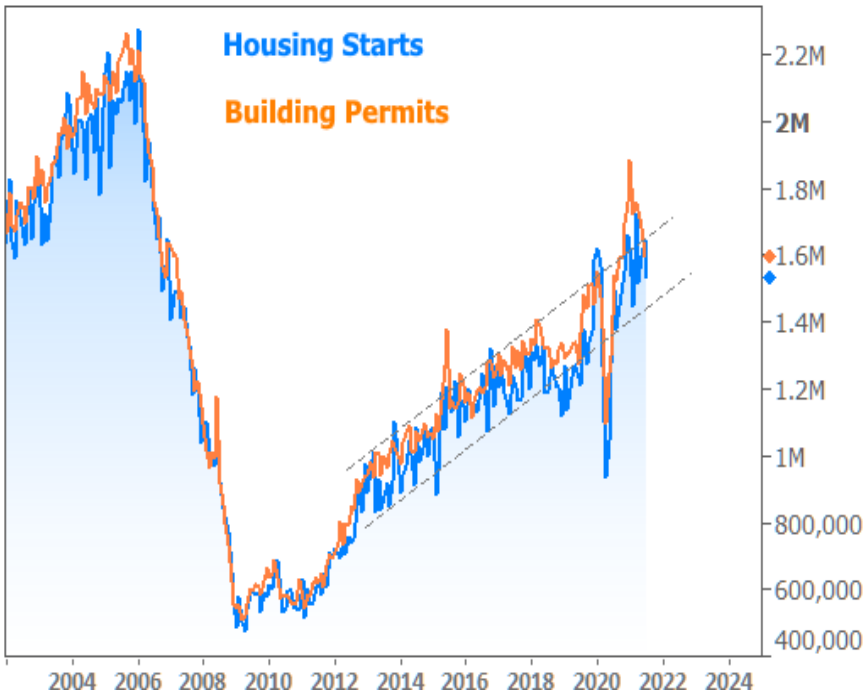
For what it's worth, the Fed may have been nearly as patient **without** the delta variant. They've consistently said that there's much to learn about the state of the post-covid economy **after** the new school year gets underway.

At the moment, economic data is mixed, depending on where you look. In many cases, numbers have returned in line with pre-covid trends. **Residential construction** (updated this week) is one example of this with a big drop at the outset of the pandemic and a now-resolved correction to long-term highs.

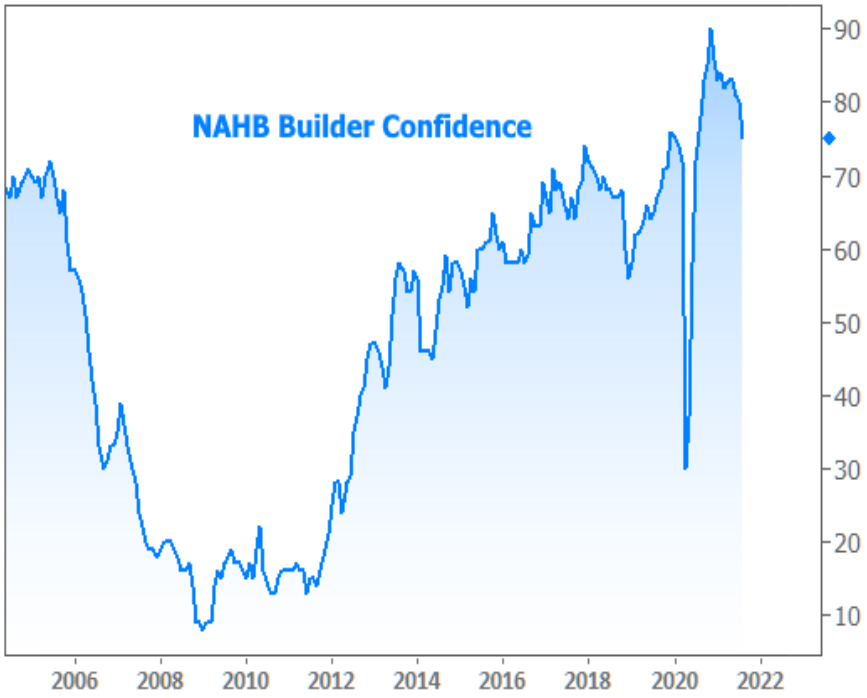
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Unsurprisingly, **homebuilder confidence** (also released this week) has taken a similar path.

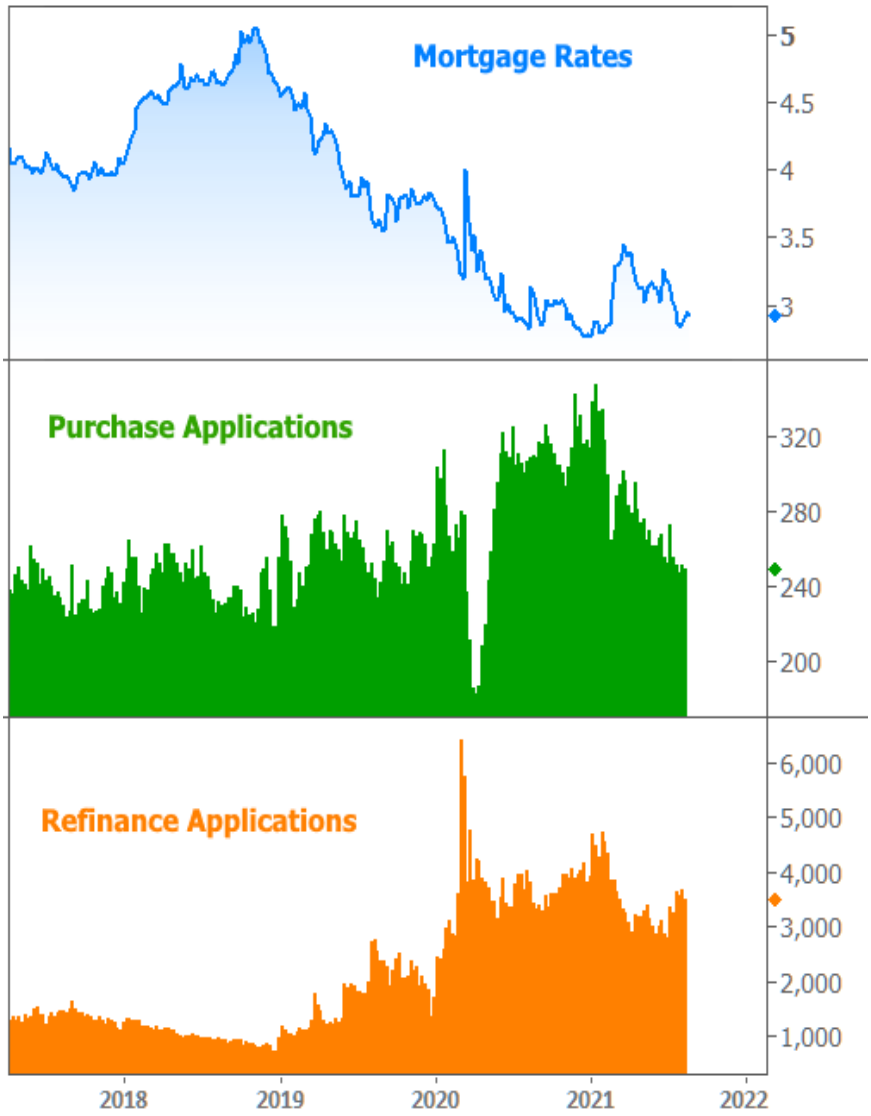


Mortgage applications (released every week) show a similar trend on the purchase side, but refinances remain logically elevated due to the persistence of low rates.

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Next week brings a more robust economic data calendar, but expect it to be overshadowed by Friday's Powell speech (currently scheduled for 10am ET).

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Monday, Aug 16				
8:30AM	Aug NY Fed Manufacturing	18.30	29.00	43.00
Tuesday, Aug 17				
8:30AM	Jul Retail Sales (%)	-1.1	-0.3	0.6
9:15AM	Jul Industrial Production (%)	0.9	0.5	0.4
10:00AM	Jun Business Inventories (%)	0.8	0.8	0.5
10:00AM	Aug NAHB housing market indx	75	80	80
Wednesday, Aug 18				

Event Importance:

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

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Date	Event	Actual	Forecast	Prior
7:00AM	w/e MBA Purchase Index	249.9		252.0
7:00AM	w/e MBA Refi Index	3490.2		3684.3
8:30AM	Jul House starts mm: change (%)	-7.0		6.3
8:30AM	Jul Housing starts number mm (ml)	1.534	1.600	1.643
8:30AM	Jul Building permits: number (ml)	1.635	1.610	1.594
8:30AM	Jul Build permits: change mm (%)	2.6		-5.3
1:00PM	20yr Treasury Auction			
2:00PM	FOMC Minutes			
Thursday, Aug 19				
8:30AM	Aug Philly Fed Business Index	19.4	23.0	21.9
8:30AM	w/e Continued Claims (ml)	2.820	2.800	2.866
8:30AM	w/e Jobless Claims (k)	348	363	375
10:00AM	Jul Leading index chg mm (%)	0.9	0.8	0.7
Monday, Aug 23				
9:45AM	Aug Markit Manuf. PMI	61.2	62.5	63.4
9:45AM	Aug Markit Services PMI	55.2	59.5	59.9
10:00AM	Jul Exist. home sales % chg (%)	2.0		1.4
10:00AM	Jul Existing home sales (ml)	5.99	5.83	5.86
Tuesday, Aug 24				
10:00AM	Jul New Home Sales (ml)	0.708	0.700	0.676
10:00AM	Jul New Home Sales (%) (%)	1.0		-6.6
1:00PM	2-Yr Note Auction (bl)	60		
Wednesday, Aug 25				
7:00AM	w/e MBA Refi Index	3520.7		3490.2
7:00AM	w/e MBA Purchase Index	257.5		249.9
8:30AM	Jul Durable goods (%)	-0.1	-0.3	0.9
8:30AM	Jul Core CapEx (%)	0.0	0.5	0.7
1:00PM	5-Yr Note Auction (bl)	61		
Thursday, Aug 26				
8:30AM	Q2 GDP Prelim (%)	6.6	6.7	6.5
1:00PM	7-Yr Note Auction (bl)	62		
Friday, Aug 27				
8:30AM	Jul Core PCE Inflation (y/y) (%)	3.6	3.6	3.5
10:00AM	Aug Consumer Sentiment (ip)	70.3	70.7	70.2

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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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