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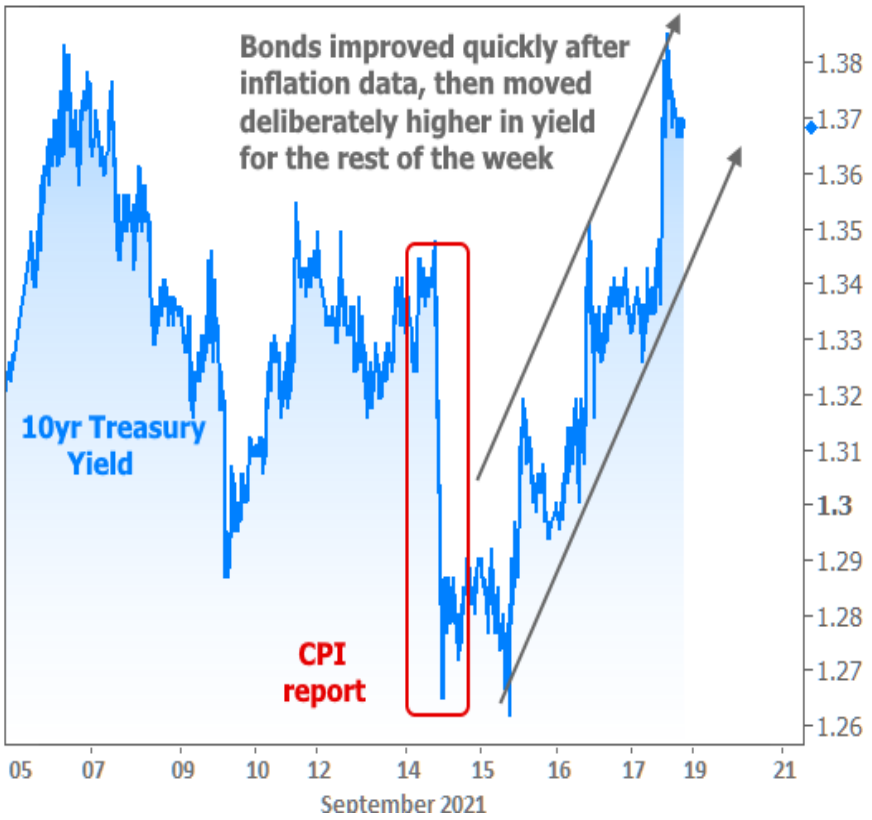
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Rates at 2-Month Highs; Big Changes For Investor/2nd Home Loans

Mortgage rates ended the week at the **highest** levels in roughly 2 months as investors moved to the sidelines ahead of next week's Fed announcement.

In other words, investors sold bonds (among other things) and in the bond market, selling pressure means lower prices and higher rates, all other things being equal.

Despite the poor finish, things **started** out well enough. The Consumer Price Index (CPI), a key inflation report, came out lower than expected on Tuesday. With inflation being an important consideration for the bond market at the moment, the reaction was obvious. Unfortunately, it was also short-lived.



If we add S&P futures to the chart above, we can see that stocks were also generally moving to the sidelines (i.e. **more sellers** than buyers).

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	5.4731	-0.0027

Pricing as of: 11/16 7:21PM EST

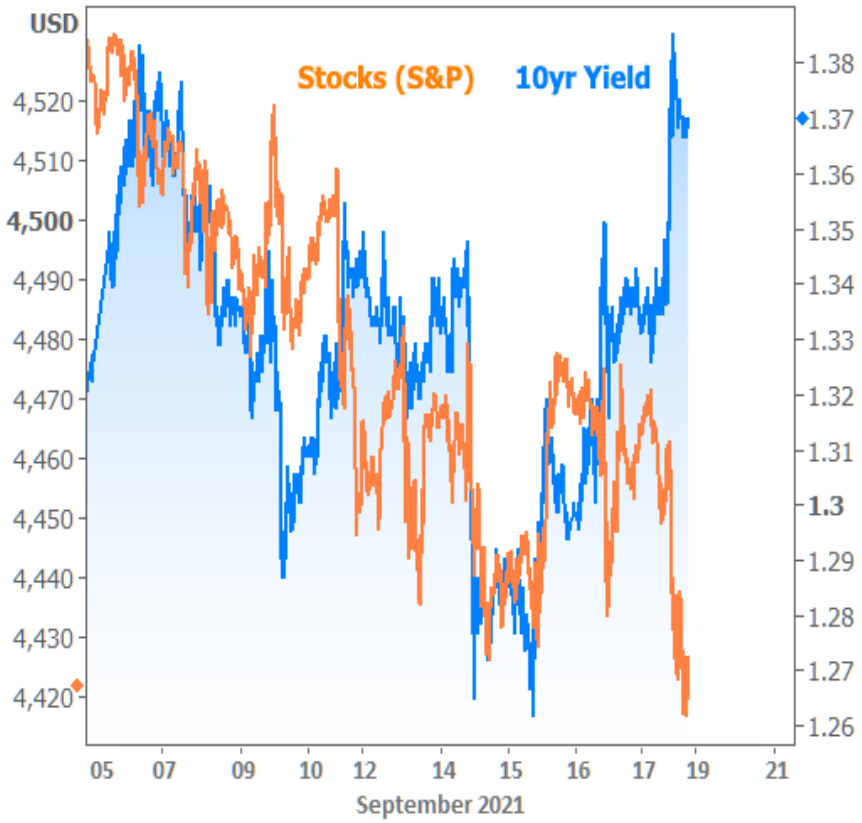
Recent Housing Data

		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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While there is never one singular motivation for stocks and bonds, they definitely share a concern for Fed policy. With next week bringing an **important** policy announcement from the Fed, it would make sense to see investors circling the wagons in preparation.

With a specific eye on the bond market, this preparation has arguably been going on for some time. The result is the consolidation pattern seen in the following chart. The green line simply marks the calendar date of next week's Fed announcement.

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In the chart above, the inception of the pattern is **no coincidence**. It began after the strong jobs report in early August. The labor market is a key consideration for the Fed, and some Fed members were on record saying it would only take one more report like the one in early August to justify a shift toward tighter policy (i.e. not good for rates).

The next report arrived on September 3rd and once again, rates pushed up to the near-term **ceiling** marked by 10yr Treasury yields in the 1.37-1.38 range. Now at the end of this week, we're back at the same ceiling levels.

Bonds haven't been eager to break that ceiling because the conditions that warrant more austerity from the Fed **haven't been met yet**. Chair Powell has said on many occasions that the labor market has more progress to make before the Fed will begin to taper its rate-friendly bond purchases.

In addition, the Fed would like to see how covid and the economy are interacting after the start of the new school year, and it's **just a bit too soon** to draw any sweeping conclusions.

The longer-term chart conveys the sense of limbo for rates (10yr Treasury yields are widely used as a benchmark for other rates like mortgages). They're neither in the ultra-low zone associated with the first year of the pandemic, nor are they back into the pre-covid range. That said, they're **likely to pick a side** in the coming weeks--perhaps as early as next week.

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In other news this week, the FHFA and Treasury made a **big announcement** that affects certain mortgage scenarios. This goes back to earlier changes that we discussed in previous newsletters HERE and HERE. The biggest impacts were seen in loans for investment properties and 2nd homes.

To make a long story short, the regulatory changes (which forced many lenders to raise rates significantly for those loans) have been rescinded for at least a year. The implication is that those lenders can begin lowering the cost for those loans. The timing and magnitude of that process will vary depending on the lender. Either way, please be sure to note that this does not impact a vast majority of mortgages tied to owner-occupied properties.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Tuesday, Sep 14				
8:30AM	Aug Consumer Price Index (CPI) (%)	0.3	0.4	0.5
8:30AM	Aug Core CPI (Annual) (%)	4.0	4.2	4.3
Wednesday, Sep 15				
7:00AM	w/e MBA Purchase Index	277.9		258.4
7:00AM	w/e MBA Refi Index	3185.6		3292.1
8:30AM	Sep NY Fed Manufacturing	34.30	18.00	18.30
9:15AM	Aug Industrial Production (%)	0.4	0.4	0.9
Thursday, Sep 16				

Event Importance:

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

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Date	Event	Actual	Forecast	Prior
8:30AM	Aug Retail Sales (%)	0.7	-0.8	-1.1
8:30AM	Sep Philly Fed Business Index	30.7	18.8	19.4
8:30AM	w/e Jobless Claims (k)	332	320	310
10:00AM	Jul Business Inventories (%)	0.5	0.5	0.8
Friday, Sep 17				
10:00AM	Sep 5yr Inflation Outlook (%)	2.9		2.9
10:00AM	Sep 1yr Inflation Outlook (%)	4.7		4.6
10:00AM	Sep Consumer Sentiment	71.0	72.0	70.3
Monday, Sep 20				
10:00AM	Sep NAHB housing market indx	76	74	75
Tuesday, Sep 21				
8:30AM	Aug House starts mm: change (%)	+3.9		-7.0
8:30AM	Aug Housing starts number mm (ml)	1.615	1.555	1.534
8:30AM	Aug Building permits: number (ml)	1.728	1.600	1.630
8:30AM	Aug Build permits: change mm (%)	6.0		2.3
Wednesday, Sep 22				
7:00AM	w/e MBA Purchase Index	283.9		277.9
7:00AM	w/e MBA Refi Index	3391.1		3185.6
10:00AM	Aug Existing home sales (ml)	5.88	5.89	5.99
10:00AM	Aug Exist. home sales % chg (%)	-2.0		2.0
2:00PM	N/A FOMC rate decision (%)	0 - 0.25	0.125	0.125
Thursday, Sep 23				
9:45AM	Sep Markit Composite PMI	54.5	58.3	55.4
10:00AM	Aug Leading index chg mm (%)	+0.9	0.7	0.9
Friday, Sep 24				
10:00AM	Aug New Home Sales (%) (%)	+1.5		1.0
10:00AM	Aug New Home Sales (ml)	0.740	0.714	0.708

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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