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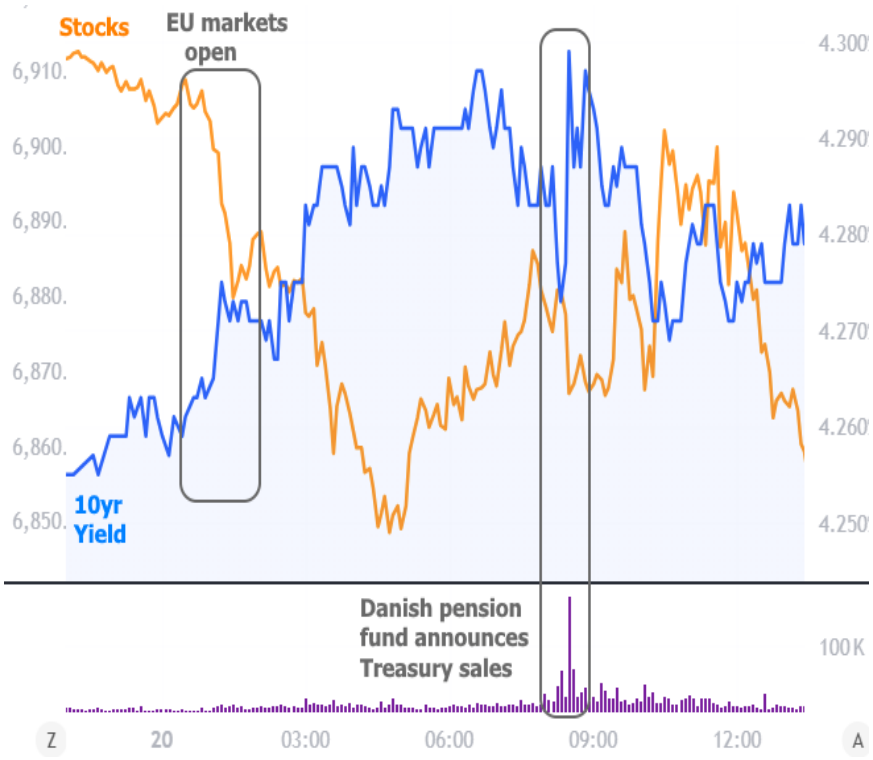
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Tougher Week For Rates, But Mortgage Apps Soar to 3 Year High

Mortgage rates pulled back this week as the bond market digested geopolitical tension. After the 3-day holiday weekend, traders returned to find overseas markets pushing bond yields higher.

The lesser of the two motivations had to do with fallout over fiscal issues in Japan which prompted heavy selling of Japanese bonds. There is often a certain amount of correlation between the sovereign debt of major economies and it's not uncommon to see U.S. yields moving higher if there's a big uptick in Asia/Europe. Generally speaking higher yields translate to higher mortgage rates.

The larger issue was geopolitical in nature. European markets reacted to escalation of the administration's stance on Greenland over the weekend. New tariff threats were part of the problem, but the most noticeable uptick in trading volume followed news that a Danish pension fund was pulling out of Treasuries.



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	98.73	+0.03
10 YR Treasury	5.1260	-0.0082
30 YR Treasury	5.4714	-0.0044

Pricing as of: 11/16 7:11PM 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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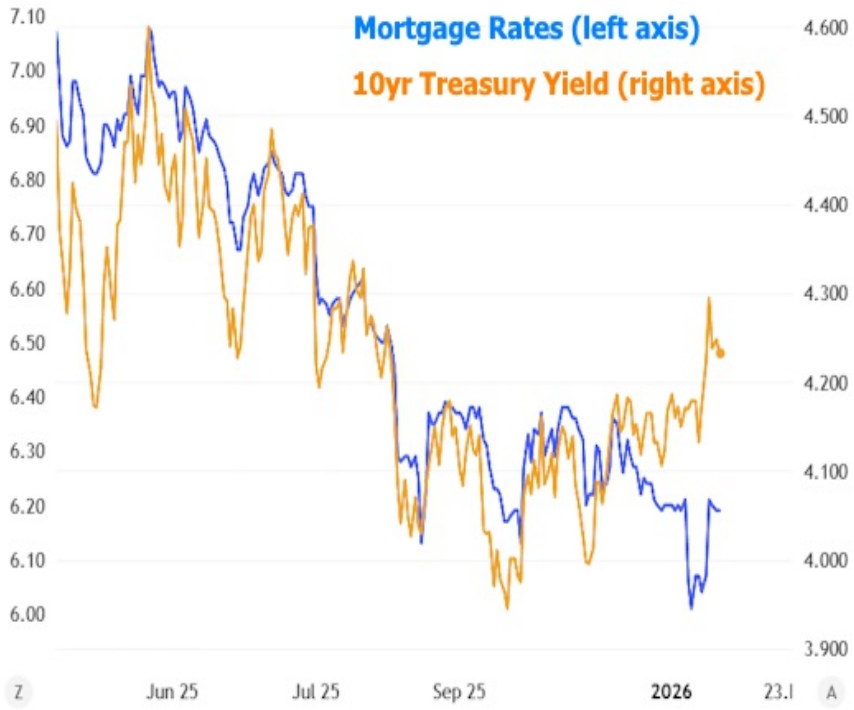
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That strategy wasn't seen as sustainable for the rest of Europe's money managers and the overall amount was small in the grand scheme of things, hence the minimal additional rise in 10yr yields.

From that point on, the bond market calmed down through the end of the week. Economic reports were uneventful and several of the biggest examples were very stale as agencies continue getting caught up after the government shutdown.

Mortgage rates were affected by Tuesday morning's bond market weakness, with the average lender pulling back up to levels seen before the big drop on January 9th after the administration's MBS buying announcement. That said, mortgage rates are handily outperforming Treasuries thanks to that same announcement (and, indeed, thanks to actual MBS purchases). There's no other way to explain the following chart:



In other words, the MBS buying announcement initially caused mortgage rates to surge lower. Now this week, it's providing insulation to mortgage rates against moving higher at the pace seen in Treasuries.

The results of the recent rate rally were on full display in this week's mortgage application data from the Mortgage Bankers Association (MBA).

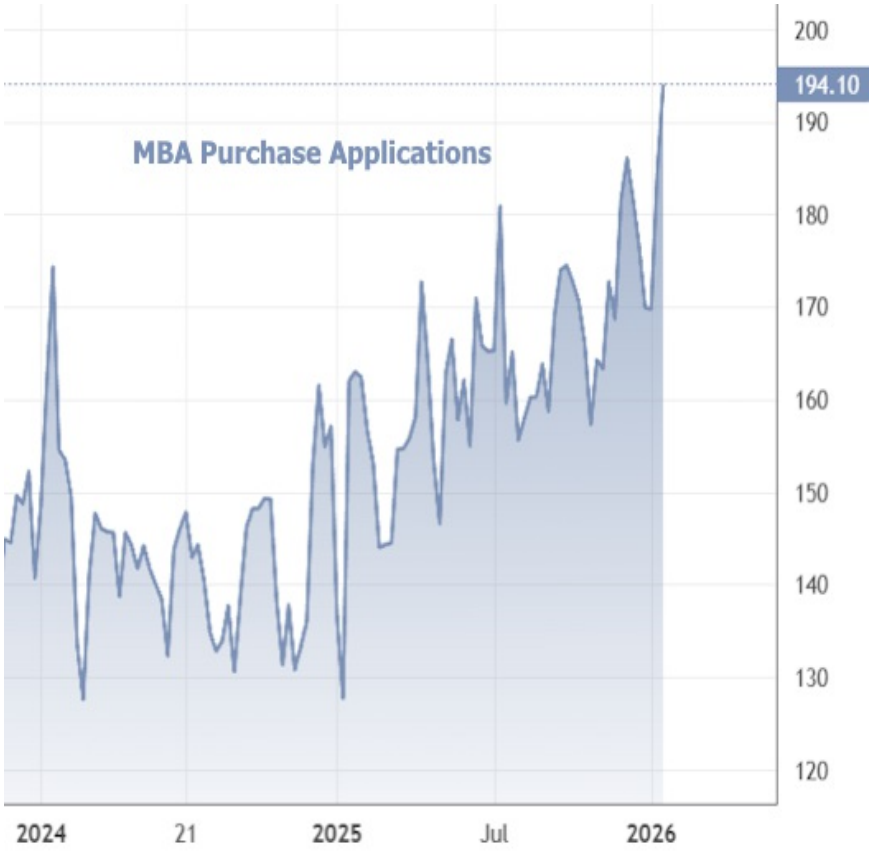
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It's normal for refi demand to respond to big rate rallies, but a case could be made that purchase apps are getting some benefit as well. They advanced to their highest level in 3 years this week.

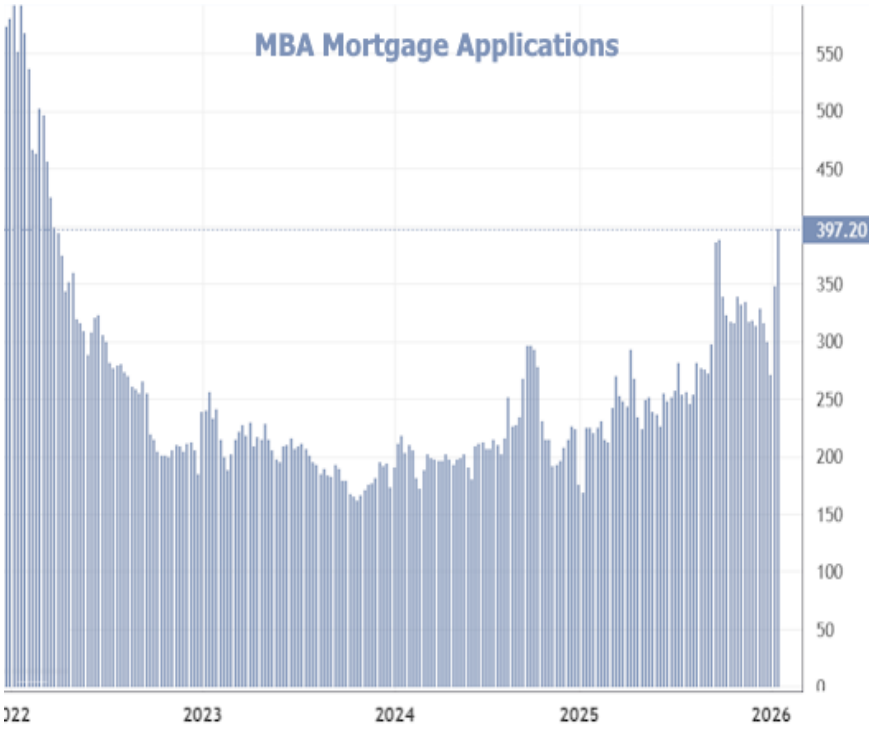


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Overall, mortgage apps are the highest in nearly 4 years after this week's data:



Next week brings several more economic reports, but none that are as important for rates as the jobs report that comes out on February 6th. That leaves the Fed announcement as the most newsworthy event. In this case, the market effectively sees a zero percent chance of a Fed rate cut this time around, but the text of the statement and Fed Chair Powell's press conference can always offer clues to how the Fed will approach the following meeting (March 18th).

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Tuesday, Jan 20				
8:15AM	ADP Employment Change Weekly	8K		11.75K
Wednesday, Jan 21				
7:00AM	Jan/16 MBA Refi Index	1580.8		1313.1
7:00AM	Jan/16 MBA Purchase Index	194.1		184.6
10:00AM	Dec Pending Home Sales (%)	-9.3%	-0.3%	3.3%
Thursday, Jan 22				
8:30AM	Q3 GDP (%)	4.4%	4.3%	3.8%
8:30AM	Jan/17 Jobless Claims (k)	200K	212K	198K
10:00AM	Nov Core PCE (y/y) (%)	2.8%	2.8%	2.7%
10:00AM	Oct Core PCE (y/y) (%)	2.7%	2.7%	2.8%
Friday, Jan 23				
9:45AM	Jan S&P Global Services PMI	52.5	52.8	52.5

Event Importance:

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

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Date	Event	Actual	Forecast	Prior
9:45AM	Jan S&P Global Manuf. PMI	51.9	52	51.8
10:00AM	Jan Consumer Sentiment (ip)	56.4	54.0	52.9
Monday, Jan 26				
8:30AM	Nov Durable goods (%)	5.3%	3.7%	-2.2%
Tuesday, Jan 27				
8:15AM	ADP Employment Change Weekly	7.75K		8.0K
9:00AM	Nov FHFA Home Prices y/y (%)	1.9%		1.7%
9:00AM	Nov Case Shiller Home Prices-20 y/y (%)	1.4%	1.2%	1.3%
Wednesday, Jan 28				
2:00PM	Fed Interest Rate Decision	3.75%	3.75%	3.75%
2:30PM	Fed Press Conference			
Thursday, Jan 29				
8:30AM	Jan/24 Jobless Claims (k)	209K	205K	200K
Friday, Jan 30				
8:30AM	Dec PPI m/m (%)	0.5%	0.2%	0.2%

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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