

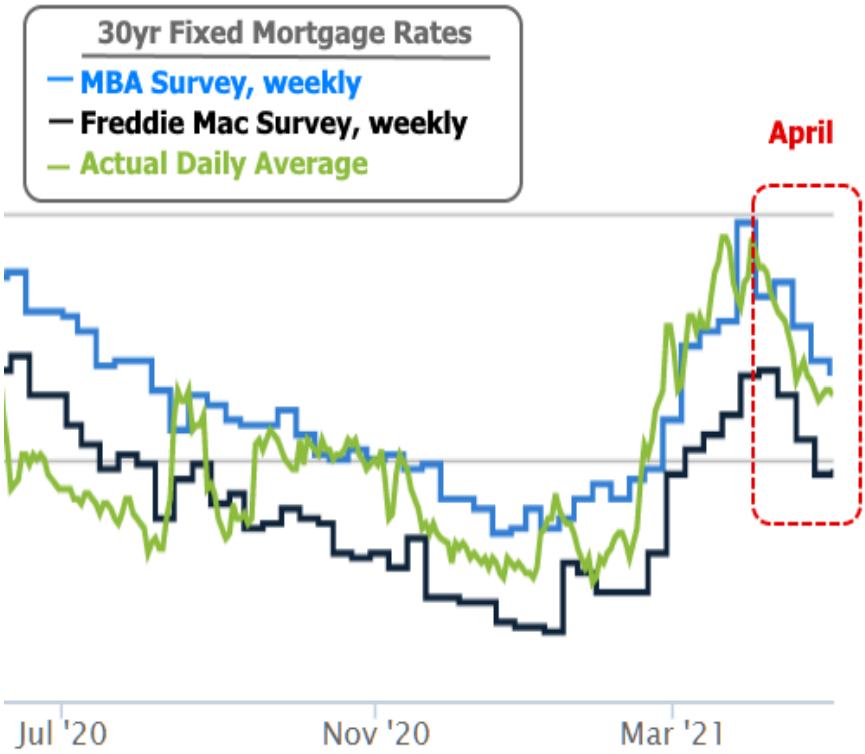
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# Moment of Truth For Rates and Housing

This week's 6.4% reading on Q1 GDP reinforced the notion of a strong economic recovery. In turn, the recovery helps to justify the sharp move higher in rates seen during the same 3 months. Rates managed to recover quite a bit in April, but ended up **rising slightly** this week, by some measures. Is the intermission over?

The following charts offer several ways to look at the intermission (basically April's push back against the previous 3 months of significantly higher rates). Mortgage rates have outperformed other parts of the bond market even though they remain highly stratified by loan type and investor. As such, the intermission looks healthy at first glance.




The 10yr Treasury yield (the quintessential benchmark of broad longer-term rate momentum) does a better job of showing this week's modest upward drift after bouncing several times at 1.53%.

## National Average Mortgage Rates




| Mortgage News Daily | Rate | Change | Points |
|---|---|---|---|
| 30YR Fixed | 7.42% | +0.12 | 0.00 |
| 15YR Fixed | 7.00% | +0.08 | 0.00 |
| 30YR FHA | 7.00% | +0.11 | 0.00 |
| 30YR Jumbo | 7.46% | +0.06 | 0.00 |
| 7/6 SOFR | 7.05% | +0.25 | 0.00 |
| 30YR VA | 7.01% | +0.11 | 0.00 |

Rates as of: 11/12

## MBS and Treasury

| | Price / Yield | Change |
|---|---|---|
| MBS UMBS 6.0 | 98.77 | +0.00 |
| 10 YR Treasury | 5.1260 | -0.0036 |
| 30 YR Treasury | 5.4559 | +0.0011 |

Pricing as of: 11/12 7:08PM EST

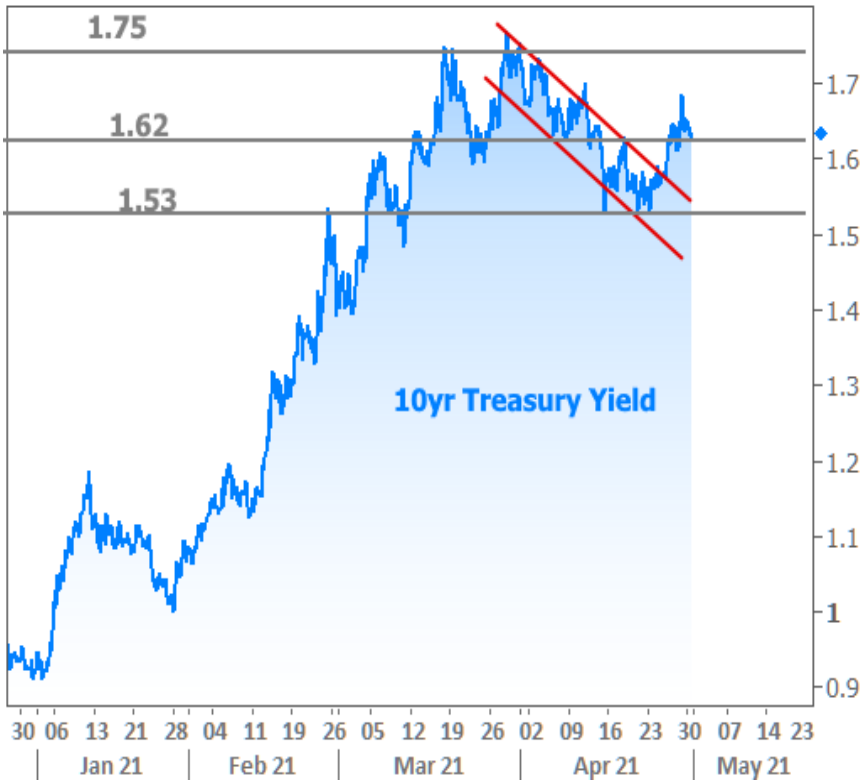
## Recent Housing Data

| | | Value | Change |
|---|---|---|---|
| Mortgage Apps | Oct 28 | 192.6 | -1.23% |
| 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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If we zoom out, we can see that April's consolidation/correction takes place exactly where we'd hoped based on previous discussions of "the hitch" zone. In general, this means that **rates had risen enough** to justify taking a break.




The hitch also serves as a **reminder** about how much more ground rates could cover (or recover) if things go very well (or poorly) for covid and the economy. Indeed, that's what it's all about--a fact that was reiterated yet again in this week's press conference following the Federal Reserve's policy announcement.

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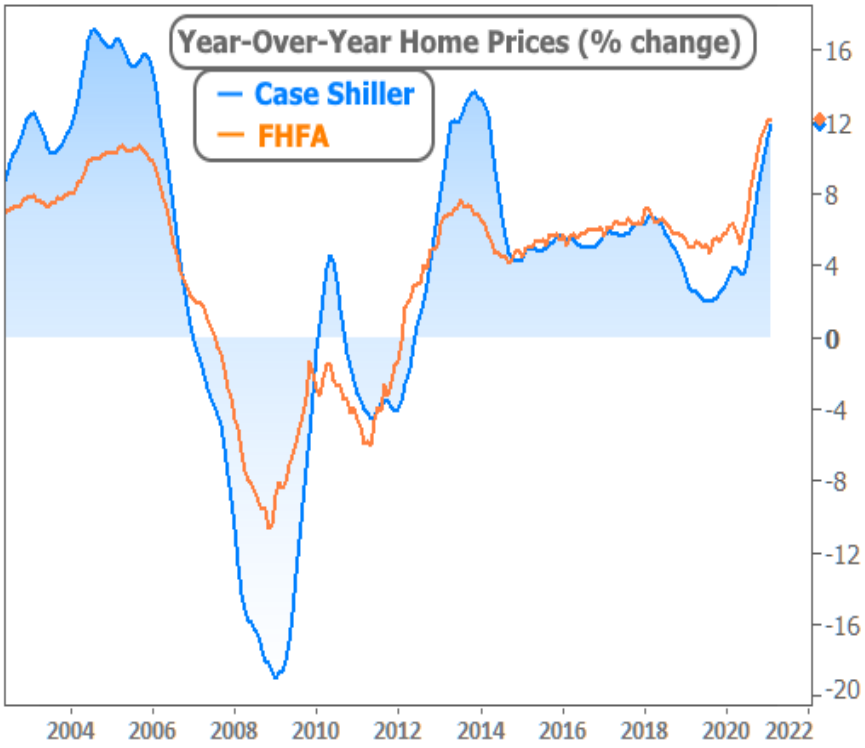
Fed announcement days have a track record as being some of the best (or worst) days for mortgage rates. That said, they can be completely **meaningless** as well, and that's the designation we'd pick for this week's version (if we could only pick one).

Is it true that the Fed kept "rates" unchanged at 0-0.25%? Yes, but it's important to understand that refers to the Fed Funds Rate--a target rate for overnight lending between big banks. Mortgage rates can **loosely** correlate with the Fed Funds Rate over very long time horizons, but they frequently move in the opposite direction. More importantly mortgage rates are constantly moving whereas the Fed Funds rate hasn't changed in more than a year now (and is only usually capable of changing once every 6 weeks, outside of extraordinary circumstances).

So **why** do mortgage rates have a history of big reactions to the Fed if the Fed Funds Rate doesn't have much of a bearing on mortgage rates?

**Simply put:** the Fed does "other stuff" besides announce the Fed Funds Rate. That's just the piece of the announcement that news outlets tend to lead with. Mortgage rates are far more interested in the Fed's bond buying programs, which include $40 billion per month in new mortgage bond purchases (in addition to reinvestments of proceeds from past mortgage bond purchases). On that topic, the Fed held steady and indicated we're still a long way from a situation where bond purchases would be tapered.

Some **market participants have wondered** why the Fed continues to buy the same amount of mortgage-backed bonds in light of the blistering pace of home price appreciation. Case in point, Tuesday brought another month's worth of home price data from Case Shiller and the FHFA.




When questioned about ongoing mortgage bond buying, Fed Chair Powell reminded us that the mortgage market is **one of two** key sectors the Fed can target in the pursuit of its goals. **In other words**, the Fed decided it needs to spend a certain amount of money buying bonds and the mortgage market is one of the two key places it can spend that money. Despite being fairly familiar with this narrative, the mortgage market was nonetheless marginally relieved to get additional confirmation--a key reason that mortgage rates did better than Treasuries in the 2nd half of the week.

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While the Fed offers unequivocal support in the present, traders continue worrying about the future. It's **easy to imagine** a scenario where the economy has healed enough for the Fed to start dialing back. When that happens, it could be the catalyst for rates to officially break out of the 'intermission' trend and resume their upward march.

In this week's other housing-related data, **Pending Home Sales** (the timeliest of the home sales reports) avoided losing any more ground after a 4 month slide. Realtors rightfully point out that a lack of inventory is the biggest detractor to what would otherwise be record numbers.




Next week brings a slew of big-ticket economic data that could further inform the recovery narrative, including the big monthly jobs report on Friday. If the new numbers are as strong as they were last time, it would bring the Fed one step closer to actually having that discussion about tapering. Rates probably wouldn't love that. Stay tuned...

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## Recent Economic Data

| Date | Event | Actual | Forecast | Prior |
|---|---|---|---|---|
| **Monday, Apr 26** | | | | |
| 8:30AM | Mar Core CapEx (%) | 0.9 | 1.5 | -0.9 |
| 8:30AM | Mar Durable goods (%) | 0.5 | 2.3 | -1.2 |
| 1:00PM | 5-Yr Note Auction (bl) | 61 | | |
| **Tuesday, Apr 27** | | | | |
| 9:00AM | Feb CaseShiller 20 yy (%) | +11.9 | 11.7 | 11.1 |
| 9:00AM | Feb Monthly Home Price yy (%) | +12.2 | | 12.0 |
| 10:00AM | Apr Consumer confidence | 121.7 | 113.0 | 109.7 |
| 1:00PM | 7-Yr Note Auction (bl) | 62 | | |

## Event Importance:

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

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| Date | Event | Actual | Forecast | Prior |
|---|---|---|---|---|
| **Wednesday, Apr 28** | | | | |
| 7:00AM | w/e MBA Purchase Index | 281.4 | | 295.5 |
| 7:00AM | w/e MBA Refi Index | 3185.3 | | 3219.9 |
| 2:00PM | N/A FOMC rate decision (%) | 0.000 - 0.250 | 0.125 | 0.125 |
| 2:30PM | Powell Press Conference | | | |
| **Thursday, Apr 29** | | | | |
| 8:30AM | Q1 GDP Advance (%) | 6.4 | 6.1 | 4.3 |
| 8:30AM | w/e Jobless Claims (k) | 553 | 540 | 547 |
| 10:00AM | Mar Pending Sales Index | 111.3 | | 110.3 |
| 10:00AM | Mar Pending Home Sales (%) | +1.9 | 5.0 | -10.6 |
| **Friday, Apr 30** | | | | |
| 8:30AM | Q1 Employment costs (%) | 0.9 | 0.7 | 0.7 |
| 8:30AM | Mar Core PCE Inflation (y/y) (%) | 1.8 | 1.8 | 1.4 |
| 9:45AM | Apr Chicago PMI | 72.1 | 65.3 | 66.3 |
| 10:00AM | Apr Sentiment: 1y Inflation (%) | 3.4 | | 3.7 |
| 10:00AM | Apr Consumer Sentiment (ip) | 88.3 | 87.4 | 86.5 |
| 10:00AM | Apr Sentiment: 5y Inflation (%) | 2.7 | | 2.7 |
| **Monday, May 03** | | | | |
| 10:00AM | Apr ISM Manufacturing PMI | 60.7 | 65.0 | 64.7 |
| 10:00AM | Mar Construction spending (%) | 0.2 | 1.9 | -0.8 |
| **Tuesday, May 04** | | | | |
| 8:30AM | Mar International trade mm $ (bl) | -74.4 | -74.5 | -71.1 |
| 9:45AM | Apr ISM-New York index | | | 804.5 |
| 10:00AM | Mar Factory orders mm (%) | 1.1 | 1.3 | -0.8 |
| **Wednesday, May 05** | | | | |
| 7:00AM | w/e MBA Purchase Index | 274.5 | | 281.4 |
| 7:00AM | w/e MBA Refi Index | 3188.7 | | 3185.3 |
| 8:15AM | Apr ADP National Employment (k) | 742 | 800 | 517 |
| 10:00AM | Apr ISM N-Mfg PMI | 62.7 | 64.3 | 63.7 |
| 10:00AM | Apr ISM N-Mfg Bus Act | 62.7 | 69.5 | 69.4 |
| **Friday, May 07** | | | | |
| 8:30AM | Apr Non-farm payrolls (k) | 266 | 978 | 916 |
| 8:30AM | Apr Unemployment rate mm (%) | 6.1 | 5.8 | 6.0 |
| 10:00AM | Mar Wholesale inventories mm (%) | 1.3 | 1.4 | 1.4 |

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## Experienced, Dedicated, and Trustworthy

Tony Mosco of Suncoast Mortgage Firm exemplifies professionalism, responsiveness, and unwavering integrity in guiding clients through the home purchase or refinance process. Dedicated to his clients' best interests, Tony takes the time to thoroughly educate them on a wide range of loan options, empowering them to make well-informed decisions. With a steadfast commitment to finding the most suitable program for each client's unique needs, he consistently delivers above-and-beyond service. Tony holds a Bachelor of Science in Business Administration and a Master of Business Administration with a Finance concentration from The University of Tampa, ensuring a strong foundation of expertise in every client interaction.

**Tony Mosco** 

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