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2016's Wild Ride Already Over or Just Getting Started?

One of the most comforting things about trying to predict the future in financial markets is that there are **always** so many other people trying to predict the future at any given time. That means the entirety of investor expectation is always baked in to current levels. In other words, if there was a way for investors to know that stocks and rates would continue lower from here, people would already be trading accordingly.

While we can't know if the trend toward lower rates and stock prices is over, we can plainly see that investors are **considering that possibility**. Instead of the clear, directional move that prevailed for most of the month, this past week saw rates and stocks consolidate in a decidedly more 'sideways' path. The following chart shows this consolidation in S&P futures (used to represent the stock market) and 10yr Treasury yields (which tend to be highly correlated with mortgage rate movement).



The longer financial markets trade in these sorts of sideways patterns, the greater the potential of the subsequent move. More simply put, when rates and stocks break out of this pattern, the next move **could be just as sharp** as January's. With rates fairly close to 8-month lows, and the next move

National Average Mortgage Rates



| | Rate | Change | Points |
|----------------------------|-------|--------|--------|
| Mortgage News Daily | | | |
| 30 Yr. Fixed | 6.86% | -0.05 | 0.00 |
| 15 Yr. Fixed | 6.31% | -0.02 | 0.00 |
| 30 Yr. FHA | 6.32% | -0.06 | 0.00 |
| 30 Yr. Jumbo | 7.04% | -0.03 | 0.00 |
| 5/1 ARM | 6.53% | -0.02 | 0.00 |

Freddie Mac

| | | | |
|--------------|-------|-------|------|
| 30 Yr. Fixed | 6.78% | -0.08 | 0.00 |
| 15 Yr. Fixed | 6.07% | -0.09 | 0.00 |

Rates as of: 7/26

Market Data

| | Price / Yield | Change |
|----------------|---------------|---------|
| MBS UMBS 5.5 | 99.68 | +0.27 |
| MBS GNMA 5.5 | 99.98 | +0.13 |
| 10 YR Treasury | 4.1958 | -0.0474 |
| 30 YR Treasury | 4.4523 | -0.0305 |

Pricing as of: 7/26 5:59PM EST

Recent Housing Data

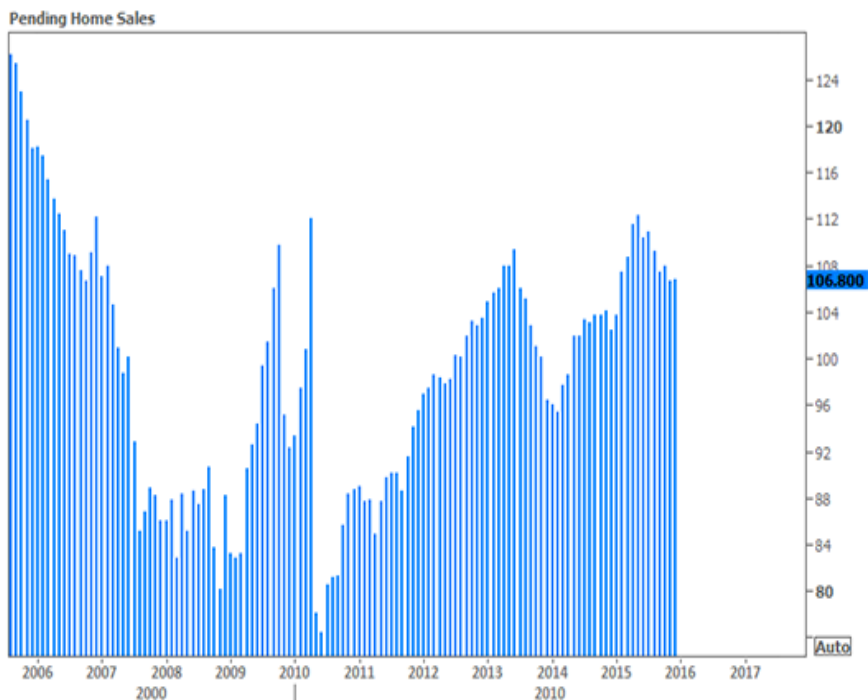
| | | Value | Change |
|---------------------|--------|-------|---------|
| Mortgage Apps | Jul 10 | 206.1 | -0.19% |
| Building Permits | Mar | 1.46M | -3.95% |
| Housing Starts | Mar | 1.32M | -13.15% |
| New Home Sales | Mar | 693K | +4.68% |
| Pending Home Sales | Feb | 75.6 | +1.75% |
| Existing Home Sales | Feb | 3.97M | -0.75% |
| Builder Confidence | Mar | 51 | +6.25% |

running the risk of being big, there's nothing a mortgage borrower should regret about locking a rate.

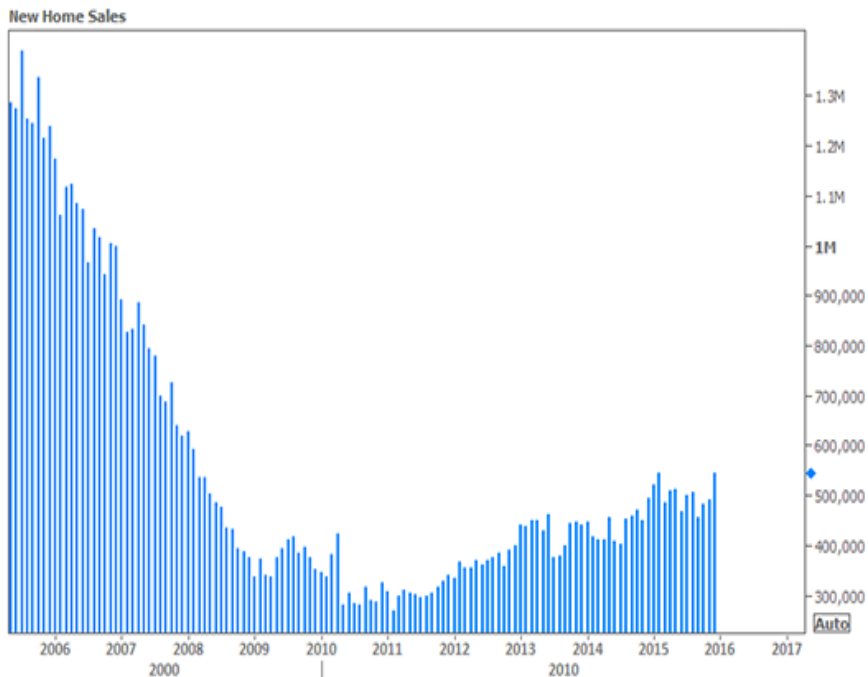
No matter the strategy or goals, it's a great time to remain vigilant about day-to-day market movements. Set your own personal lines in the sand and act accordingly if they're crossed. For instance, are you considering locking a rate but hoping for rates to move lower? **Set a limit** as to how much higher rates could go before you'd cut your losses.

Housing and Economic Data Recap

Two of the big monthly housing reports were out this week and each told a different version of the same story. **Pending Home Sales**, released by the National Association of Realtors, showed **just a modest improvement** in December. The NAR also made a note of the general deceleration in the pace of sales owing to affordability issues and "grossly inadequate" homebuilding.



The Census Bureau released **New Home Sales** data earlier in the week. Unlike Pending Home Sales—which reflect contract signings on new or existing homes—New Home Sales only reflect sales of newly built homes. The Census Bureau relies much more on imputed construction data for this report, making it one of the more volatile pieces of home sales data. That disclaimer is especially necessary this month as New Home Sales had its **biggest bounce since 2007**.



Elsewhere in housing data, we had 2 reports on Home Prices. **Case-Shiller** logged a 5.3 percent increase for November compared to a 5.1 percent increase in October. **Black Knight** saw prices appreciating at a roughly similar pace of 5.5 percent, but its more granular data showed **price declines** in several states.

In non-housing-related data, **the Fed was back** with another policy announcement. They weren't expected to even consider raising rates again at this meeting, but investors were still interested to see how they might change the verbiage of their announcement given January's market volatility. Indeed the Fed downgraded several of its assessments on the economic outlook, albeit subtly. Still, it was enough to help interest rates avoid moving higher in the middle of the week.

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Recent Economic Data

| Date | Event | Actual | Forecast | Prior |
|--------------------------|----------------------------------|-----------|----------|--------|
| Tuesday, Jan 26 | | | | |
| 9:00AM | Nov CaseShiller 20 mm nsa (%) | +0.1 | 0.1 | 0.1 |
| 9:00AM | Nov CaseShiller 20 yy (%) | +5.8 | 5.7 | 5.5 |
| 10:00AM | Jan Consumer confidence | 98.1 | 96.5 | 96.5 |
| Wednesday, Jan 27 | | | | |
| 7:00AM | w/e MBA Purchase Index | 237.8 | | 227.3 |
| 7:00AM | w/e Mortgage Refinance Index | 1822.5 | | 1638.1 |
| 10:00AM | Dec New home sales-units mm (ml) | 0.544 | 0.500 | 0.490 |
| 10:00AM | Dec New home sales chg mm (%) | +10.8 | 2.0 | 4.3 |
| 2:00PM | N/A FOMC rate decision (%) | 0.25-0.50 | 0.375 | |
| Thursday, Jan 28 | | | | |
| 8:30AM | w/e Initial Jobless Claims (k) | 278 | 280 | 293 |
| 8:30AM | w/e Jobless claims 4-wk avg (k) | 283 | | 285.00 |

Event Importance:

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

| Date | Event | Actual | Forecast | Prior |
|--------------------------|-----------------------------------|--------|----------|-------|
| 8:30AM | w/e Continued jobless claims (ml) | 2.268 | 2.240 | 2.208 |
| 8:30AM | Dec Durable goods (%) | -5.1 | -0.6 | 0.0 |
| Friday, Jan 29 | | | | |
| 9:45AM | Jan Chicago PMI | 55.6 | 45.0 | 42.9 |
| Monday, Feb 01 | | | | |
| 8:30AM | Dec Core PCE price index mm (%) | 0.0 | 0.1 | 0.1 |
| 8:30AM | Dec Personal consump real mm (%) | +0.1 | | 0.3 |
| 10:00AM | Dec Construction spending (%) | +0.1 | 0.6 | -0.4 |
| 10:00AM | Jan ISM Manufacturing PMI | 48.2 | 48.1 | 48.0 |
| Tuesday, Feb 02 | | | | |
| 9:45AM | Jan ISM-New York index | 718.9 | | 716.6 |
| Wednesday, Feb 03 | | | | |
| 8:15AM | Jan ADP National Employment (k) | 205.0 | 195 | 257 |
| 10:00AM | Jan ISM N-Mfg PMI | 53.5 | 55.1 | 55.8 |
| Friday, Feb 05 | | | | |
| 8:30AM | Jan Unemployment rate mm (%) | 4.9 | 5.0 | 5.0 |
| 8:30AM | Jan Private Payrolls (k) | +158 | 183 | 275 |
| 8:30AM | Jan Non-farm payrolls (k) | +151 | 190 | 292 |