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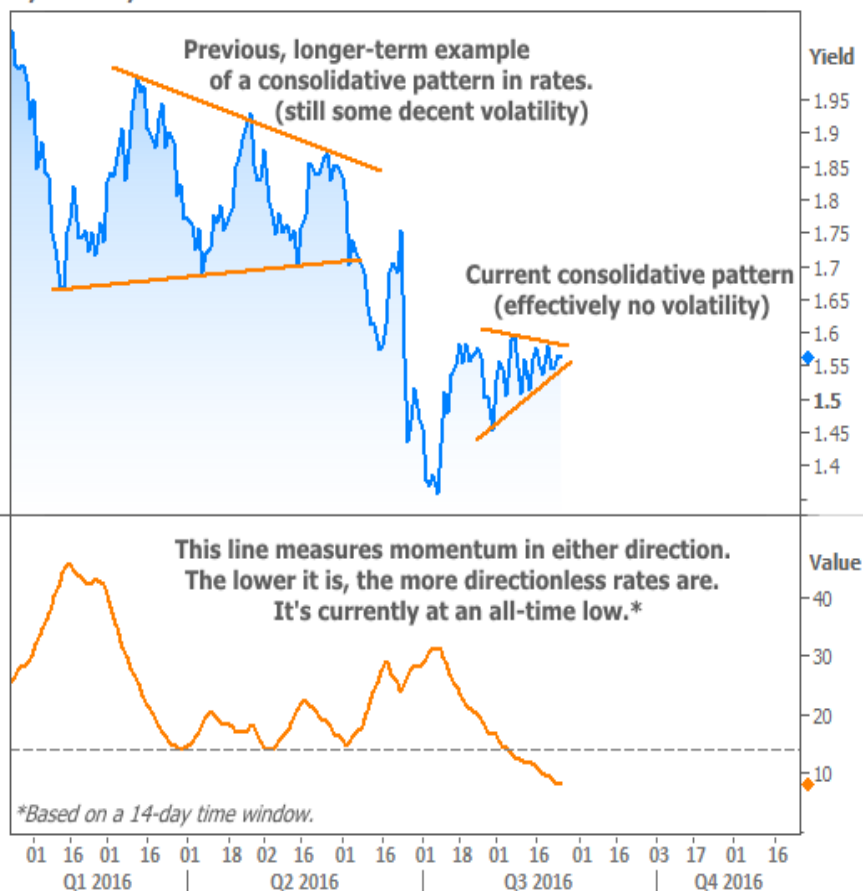
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## Action-Packed Week For Housing and Mortgage Markets

Last week's newsletter posed the question: what will it take to break the holding pattern in housing and markets? Now, this week's data has provided a **wide array** of answers.

Interest rates, however, continue abstaining from any such answer. In fact, by some measures, rates have **never been less volatile** than they are right now. The following chart shows the current pattern of consolidation in 10yr Treasury yields (a good proxy for all longer-term US interest rates, like mortgages), as well as the longer-term consolidation earlier this year.

10yr Treasury Yield



## 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

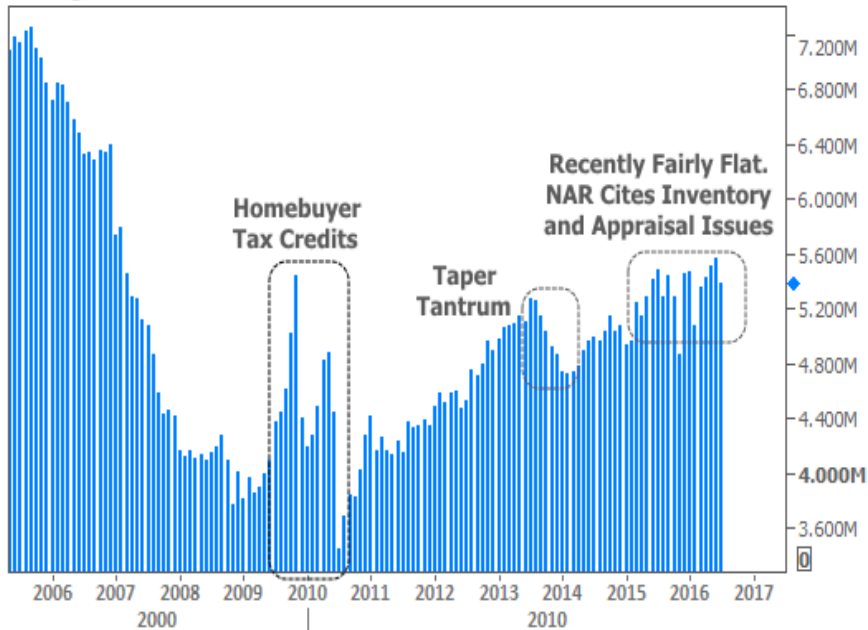
## Recent Housing Data

|                     | 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%  |

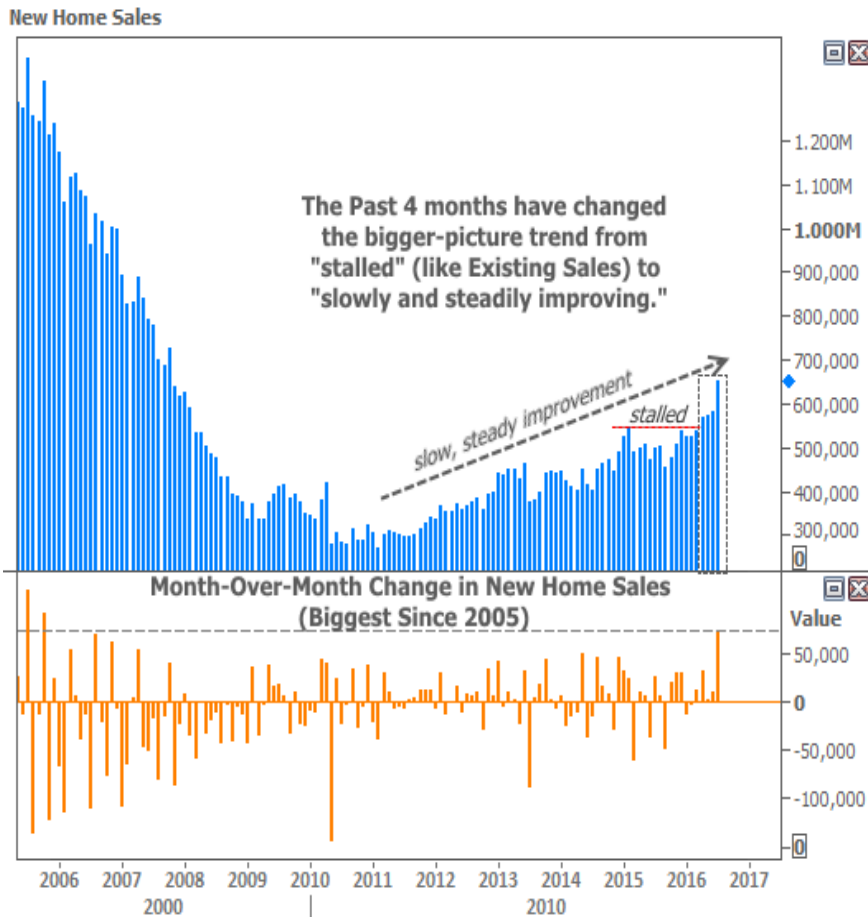
These instances of consolidation are typically followed by a period of higher momentum. You can see how the early-2016 example resulted in higher momentum toward **lower** rates. But it's important to understand that the momentum can happen in **either** direction. Given that we're running out of room in the current consolidative pattern, the next move could be happening very soon.

Rates aren't the only thing that's been consolidating in a narrow range. Data out this week shows that **Existing Home Sales** continue to operate in the same general range that's dominated the past 2 years. But unlike rates, the details here are **quite interesting**. Specifically, the National Association of Realtors cites **increasingly severe appraisal issues**, saying they're responsible for more than a quarter of contract delays in the past 3 months.

Existing Home Sales



Appraisals are less of an issue when it comes to New Home Sales, and it shows in [this week's report from the Census Bureau](#). Granted, New Homes fell harder during the Great Recession and consequently have more room to grow, but the trend is positive nonetheless. In fact, July's sales increased at the **fastest pace in more than 10 years!**



There are a few caveats, depending on your point of view. Critics often point out that this data series has a notoriously wide margin of error. But even so, it would take a massive revision to alter the positive trend seen in the chart. In separate news, the National Association of Home Builders (NAHB) [pointed out](#) a noticeable increase in the amount of homes being **built specifically as rentals**. Some would argue that's not a good thing for the long-term growth outlook for the housing market.

Adding yet another layer of complexity to the housing outlook, the FHFA (which oversees Fannie and Freddie) said this week that it sees a **"potentially significant shift"** in [home price trends](#). While FHFA's home price index still shows year-over-year growth of 5.6 percent, it notes that month-over-month appreciation has been much smaller recently.

On a mortgage-specific note, the FHFA balanced things out with some **upbeat** news. The longstanding [HARP program will be extended](#) through September 2017, at which point it will evolve into a new high-LTV program. The most important feature of the new program will be an **absence** of cut-off dates, which previously prevented many potential borrowers from taking advantage of HARP.

The week ahead brings a slew of important data, including the big jobs report on Friday. At the same time, investors will be digesting and reacting to the much-anticipated comments from Fed Chair Yellen at the Jackson Hole symposium. We'll discuss all of the above in next week's newsletter.

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### Recent Economic Data

| Date            | Event | Actual | Forecast | Prior |
|-----------------|-------|--------|----------|-------|
| Tuesday, Aug 23 |       |        |          |       |

### Event Importance:

No Stars = Insignificant  
 ☆ Low

| Date                     | Event                            | Actual | Forecast | Prior |
|--------------------------|----------------------------------|--------|----------|-------|
| 10:00AM                  | Jul New home sales-units mm (ml) | 0.654  | 0.580    | 0.592 |
| 1:00PM                   | 2-Yr Note Auction (bl)           | 26     |          |       |
| <b>Wednesday, Aug 24</b> |                                  |        |          |       |
| 7:00AM                   | w/e Mortgage Market Index        | 530.1  |          | 541.5 |
| 9:00AM                   | Jun Monthly Home Price mm (%)    | 0.2    |          | 0.2   |
| 10:00AM                  | Jul Existing home sales (ml)     | 5.39   | 5.51     | 5.57  |
| 1:00PM                   | 5-Yr Note Auction (bl)           | 34     |          |       |
| <b>Thursday, Aug 25</b>  |                                  |        |          |       |
| 8:30AM                   | Jul Durable goods (%)            | +4.4   | 3.3      | -3.9  |
| 8:30AM                   | w/e Initial Jobless Claims (k)   | 261    | 265      | 262   |
| 1:00PM                   | 7-Yr Note Auction (bl)           | 28     |          |       |
| <b>Friday, Aug 26</b>    |                                  |        |          |       |
| 8:30AM                   | Q2 GDP Prelim (%)                | +1.1   | 1.1      | 1.2   |
| 10:00AM                  | Aug U Mich Sentiment Final (ip)  | 89.8   | 90.6     | 90.4  |
| <b>Monday, Aug 29</b>    |                                  |        |          |       |
| 8:30AM                   | Jul Personal income mm (%)       | +0.4   | 0.4      | 0.2   |
| 8:30AM                   | Jul Consumption, adjusted mm (%) | +0.3   | 0.3      | 0.4   |
| 8:30AM                   | Jul Core PCE price index yy (%)  | +1.6   |          | 1.6   |
| <b>Tuesday, Aug 30</b>   |                                  |        |          |       |
| 10:00AM                  | Aug Consumer confidence          | 101.1  | 97.0     | 97.3  |
| <b>Wednesday, Aug 31</b> |                                  |        |          |       |
| 8:15AM                   | Aug ADP National Employment (k)  | 177.0  | 175      | 179   |
| 9:45AM                   | Aug Chicago PMI                  | 51.5   | 54.0     | 55.8  |
| 10:00AM                  | Jul Pending homes index          | 111.3  |          | 111.0 |
| <b>Thursday, Sep 01</b>  |                                  |        |          |       |
| 8:30AM                   | Q2 Productivity Revised (%)      | -0.6   | -0.6     | -0.5  |
| 8:30AM                   | Q2 Labor Costs Revised (%)       | +4.3   | 2.1      | 2.0   |
| 10:00AM                  | Aug ISM Manufacturing PMI        | 49.4   | 52.0     | 52.6  |
| 10:00AM                  | Jul Construction spending (%)    | 0.0    | 0.5      | -0.6  |
| <b>Friday, Sep 02</b>    |                                  |        |          |       |
| 8:30AM                   | Aug Non-farm payrolls (k)        | +151   | 180      | 255   |
| 8:30AM                   | Aug Unemployment rate mm (%)     | 4.9    | 4.8      | 4.9   |
| 9:45AM                   | Aug ISM-New York index           | 719.9  |          | 721.1 |
| 10:00AM                  | Jul Factory orders mm (%)        | +1.9   | 2.0      | -1.5  |

- ★ Moderate
- ★★ Important
- ★★★ Very Important