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The Trade Deal Just Made Your Mortgage Rate Higher, But There's a Catch

It would have been hard to make it through this week without hearing about Friday's trade deal progress, but how does it affect you? At face value, a healthy trade partnership is good for the global economy, but if you need a mortgage any time soon, the trade deal just pushed your rate **higher**.

Rates actually began moving higher on Wednesday, but Thursday and Friday were **especially** abrupt as financial markets hurried to get in position for a potential US/China trade announcement.

Why hurry now? Because this week was the first time China's top trade negotiator met with US negotiators at the White House since May. Inside sources suggested this would result in at least some sort of progress being announced, even if it was far from a finalized deal. That's exactly what happened.

This is actually where the "catch" in the headline comes in. Yes, the trade news hurt rates, **but** rates were **only** in a position to be hurt because trade news accounts for **so much** of 2019's impressive **drop** in rates.

Here's how that works: tariffs and trade fears damaged business confidence and contributed to a global manufacturing recession. Downbeat economic data led investors to put more money into safer havens like the bond market. When demand for bonds increases, rates fall.

With that in mind, anything that happens to **push back** on trade-related uncertainty would logically be **bad** for rates. This was painfully obvious for anyone who watched mortgage rates move up abruptly by the end of the week, but not so obvious for anyone who read rate coverage based on Freddie Mac's weekly mortgage rate survey.

Long story short, Freddie's survey mainly reflects Monday and Tuesday rates. So when there's a big move in the 2nd half of the week, the survey can be way off by the time it comes out on Thursday.

National Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.43%	+0.02	0.00
15 Yr. Fixed	6.84%	+0.01	0.00
30 Yr. FHA	6.90%	+0.03	0.00
30 Yr. Jumbo	7.62%	+0.02	0.00
5/1 ARM	7.40%	+0.03	0.00
Freddie Mac			
30 Yr. Fixed	7.10%	-0.34	0.00
15 Yr. Fixed	6.39%	-0.37	0.00

Rates as of: 4/18

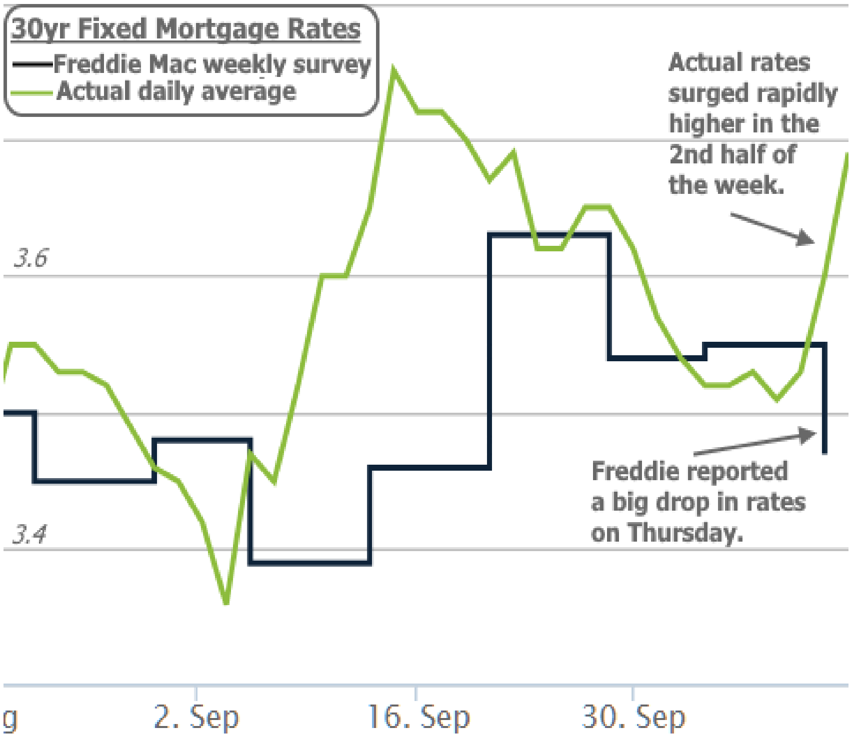
Market Data

	Price / Yield	Change
MBS UMBS 6.0	99.30	-0.29
MBS GNMA 6.0	100.04	-0.12
10 YR Treasury	4.6347	+0.0453
30 YR Treasury	4.7344	+0.0311

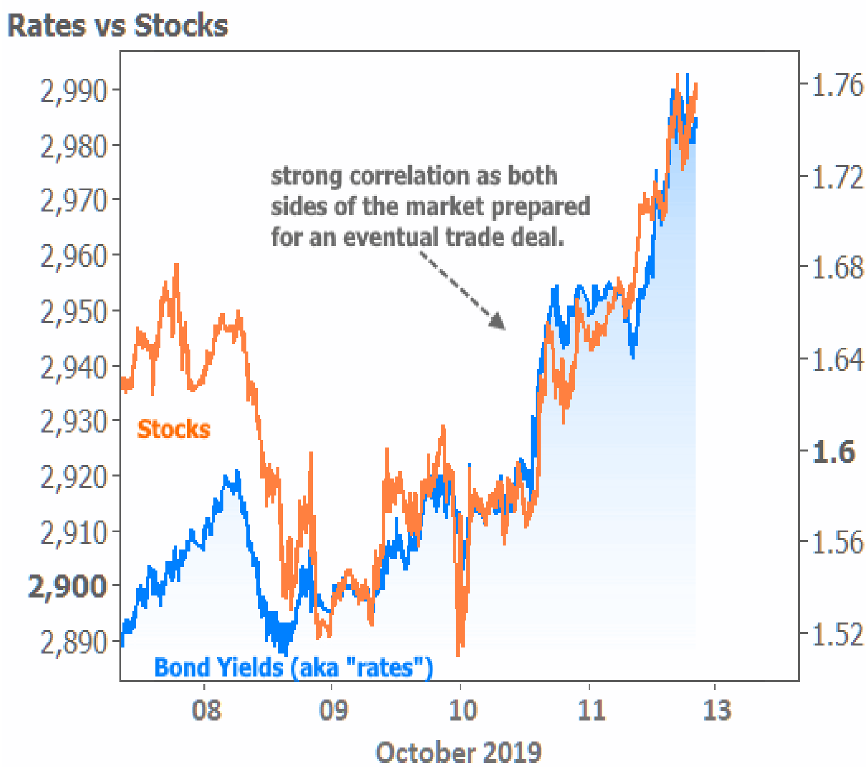
Pricing as of: 4/18 4:27PM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Apr 17	202.1	+3.27%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Feb	662K	+0.15%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%
Builder Confidence	Mar	51	+6.25%

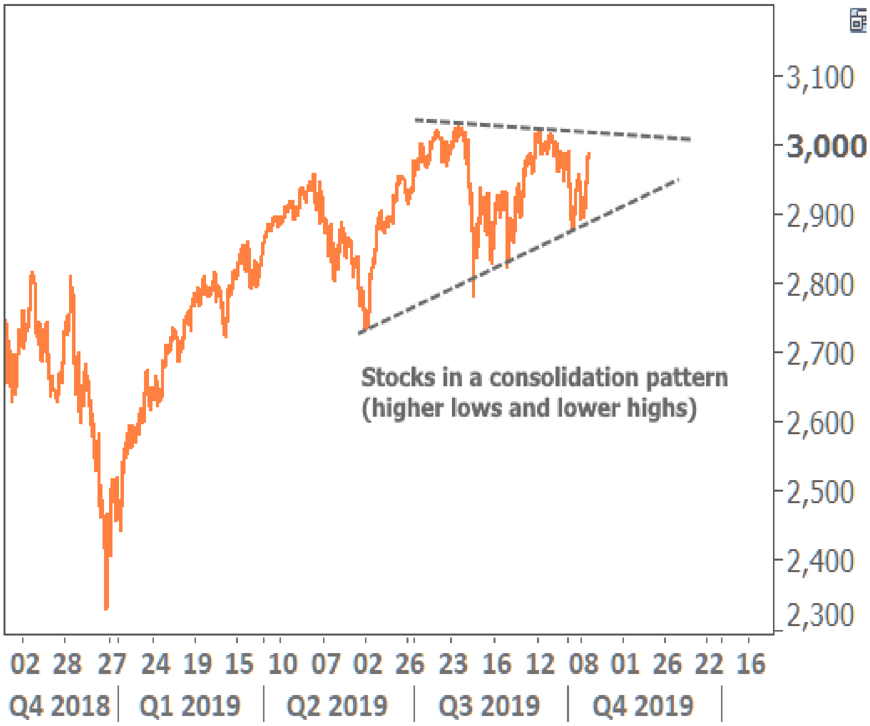


The broader financial market confirms the timing of the volatility, with almost **all** the drama arriving on Thursday and Friday (the only 2 days that aren't included in Freddie's survey).



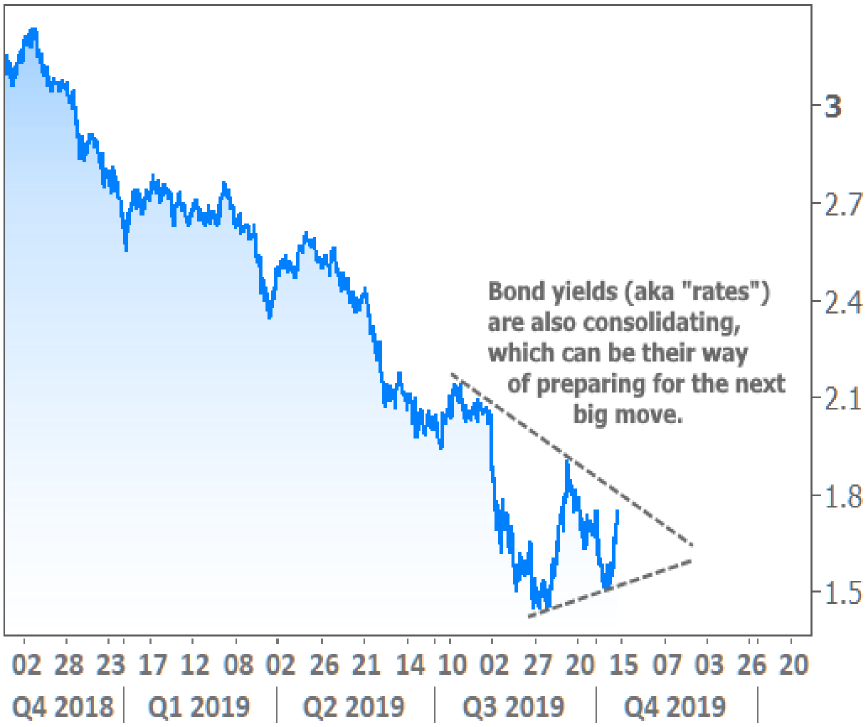
When we examine each of the lines above in a much broader context, we can see a lot of uncertainty. One of the ways markets express that is with a **consolidation pattern**, which is just a fancy way of saying that a chart is making higher lows and lower highs. In other words, the trading range is narrowing.

Stocks



There's no universal rule as to what happens next after a consolidation pattern. Sometimes, a consolidation is merely a reflection of uncertainty that's followed by... **more uncertainty.** More of than not, however, they suggest **bigger moves ahead**. In other words, there's a slightly higher chance that rates will be back on the move after exiting this pattern.

Bonds



The direction of the move depends first and foremost on the **state of economy** (weaker economy = lower rates, stronger economy = higher rates). With that in mind, next week is fairly sparse as far as economic reports are concerned. The Retail Sales data on Wednesday will be the only heavy hitter on the data front.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Monday, Oct 07				
3:00PM	Aug Consumer credit (bl)	17.90	15.25	23.29
Tuesday, Oct 08				
8:30AM	Sep Core Producer Prices YY (%)	+2.0	2.3	2.3
1:00PM	3-Yr Note Auction (bl)	38		
Wednesday, Oct 09				
7:00AM	w/e MBA Purchase Index	252.2		263.8
7:00AM	w/e Mortgage Refinance Index	2418.1		2202.6
10:00AM	Aug Wholesale inventories mm (%)	0.2	0.4	0.4
1:00PM	10-yr Note Auction (bl)	24		
2:00PM	FOMC Minutes			
Thursday, Oct 10				
8:30AM	Sep Core CPI (Annual) (%)	2.4	2.4	2.4
8:30AM	w/e Jobless Claims (k)	210	214	219
1:00PM	30-Yr Bond Auction (bl)	16		
Friday, Oct 11				
8:30AM	Sep Import prices mm (%)	0.2	0.0	-0.5
8:30AM	Sep Export prices mm (%)	-0.2	0.0	-0.6
10:00AM	Oct Consumer Sentiment	96.0	92.0	93.2
Monday, Oct 14				
12:00AM	Columbus Day			
Tuesday, Oct 15				
8:30AM	Oct NY Fed Manufacturing		1.00	2.00
Wednesday, Oct 16				
7:00AM	w/e MBA Purchase Index	250.6		252.2
7:00AM	w/e Mortgage Refinance Index	2505.8		2418.1
8:30AM	Sep Retail Sales (%)	-0.3	0.3	0.4
10:00AM	Oct NAHB housing market indx	71	68	68
10:00AM	Aug Business Inventories (%)	0.0	0.2	0.4
Thursday, Oct 17				
8:30AM	Sep House starts mm: change (%)	-9.4		12.3
8:30AM	Sep Build permits: change mm (%)	-2.7		8.2

Event Importance:

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

Date	Event	Actual	Forecast	Prior
8:30AM	Sep Housing starts number mm (ml)	1.256	1.320	1.364
8:30AM	Sep Building permits: number (ml)	1.387	1.350	1.425
8:30AM	Oct Philly Fed Business Index	5.6	8.0	12.0
8:30AM	w/e Jobless Claims (k)	214	215	210
9:15AM	Sep Industrial Production (%)	-0.4	-0.1	0.6
Friday, Oct 18				
10:00AM	Sep Leading index chg mm (%)	-0.1	0.1	-0.3

Listen, Analyze, Solve

David started in the mortgage industry in 2001 and has kept the same philosophy from day one: "Keep the client's best interest at the forefront of every transaction." What works for one client will not necessarily work for the next. David first listens, then evaluates and finally researches options making sure all possibilities have been considered. Once the proper path is determined, David works to make the process as quick and painless as possible, providing excellent service and communicating every step along the way.

David Hanks