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# It's All About The Purchase Market Right Now

It's no great mystery that refinance activity **slows to crawl** any time rates are at long-term highs, but what about the purchase market? Despite lingering inventory and affordability challenges, purchases aren't simply 'surviving' the recent upturn in rates. They're arguably thriving.

The Mortgage Bankers Association (MBA) released weekly purchase and refi application numbers on Wednesday. The "lowest refi numbers in nearly a decade" jumped out as a **gloomy** headline, but consider the following chart. Refis are merely sideways in the same low range that's been intact for more than a year. Meanwhile, purchase activity has ratcheted steadily higher. It's even done a better job of coping with the recent rate spike compared to the 2013 rate spike.

## National Average Mortgage Rates




| Mortgage News Daily | Rate | Change | Points |
|---|---|---|---|
| 30YR Fixed | 7.27% | 0.00 | 0.00 |
| 15YR Fixed | 6.92% | 0.00 | 0.00 |
| 30YR FHA | 6.91% | +0.01 | 0.00 |
| 30YR Jumbo | 7.52% | -0.03 | 0.00 |
| 7/6 SOFR | 6.70% | -0.08 | 0.00 |
| 30YR VA | 6.92% | +0.01 | 0.00 |

Rates as of: 11/2

## MBS and Treasury

| | Price / Yield | Change |
|---|---|---|
| MBS UMBS 6.0 | 99.79 | -0.02 |
| 10 YR Treasury | 4.9048 | -0.0251 |
| 30 YR Treasury | 5.2895 | -0.0187 |

Pricing as of: 11/2 5:59PM EST

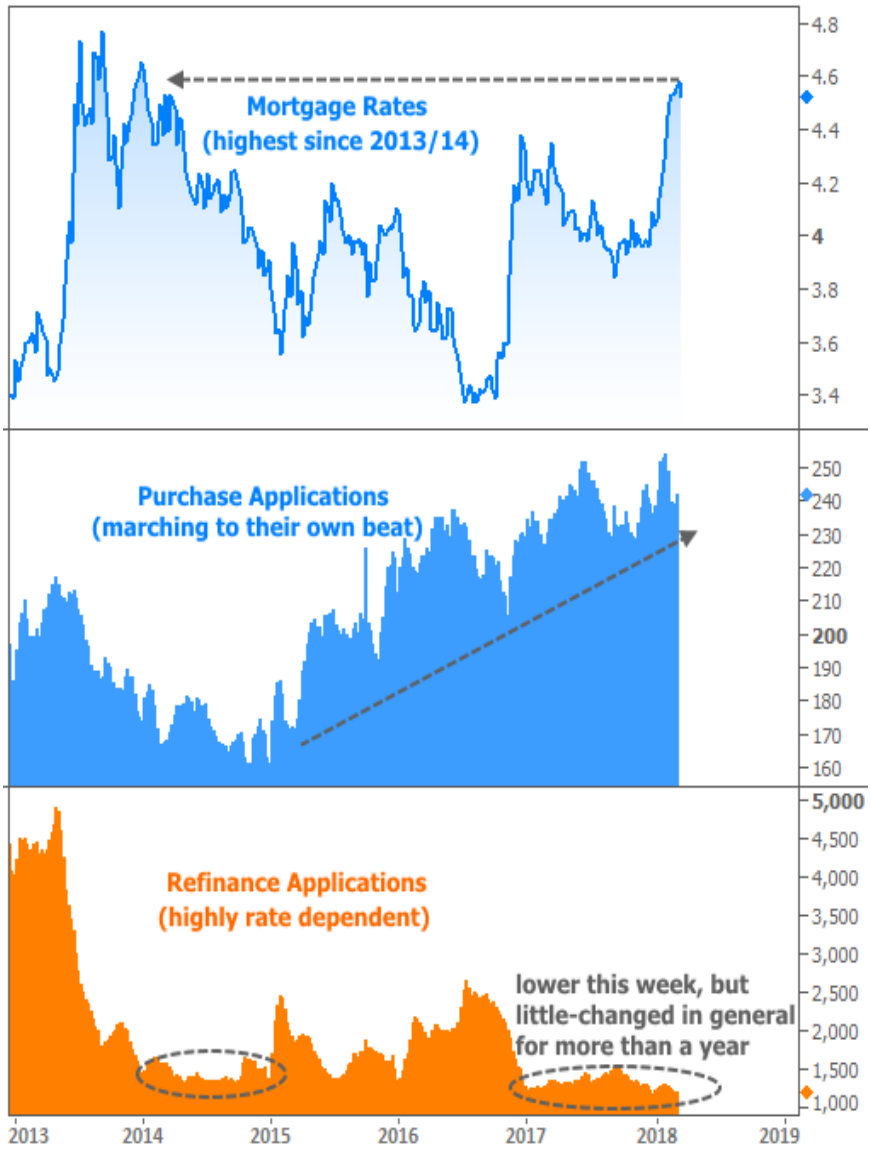
## Recent Housing Data

| | | Value | Change |
|---|---|---|---|
| Mortgage Apps | Oct 21 | 195 | +3.39% |
| 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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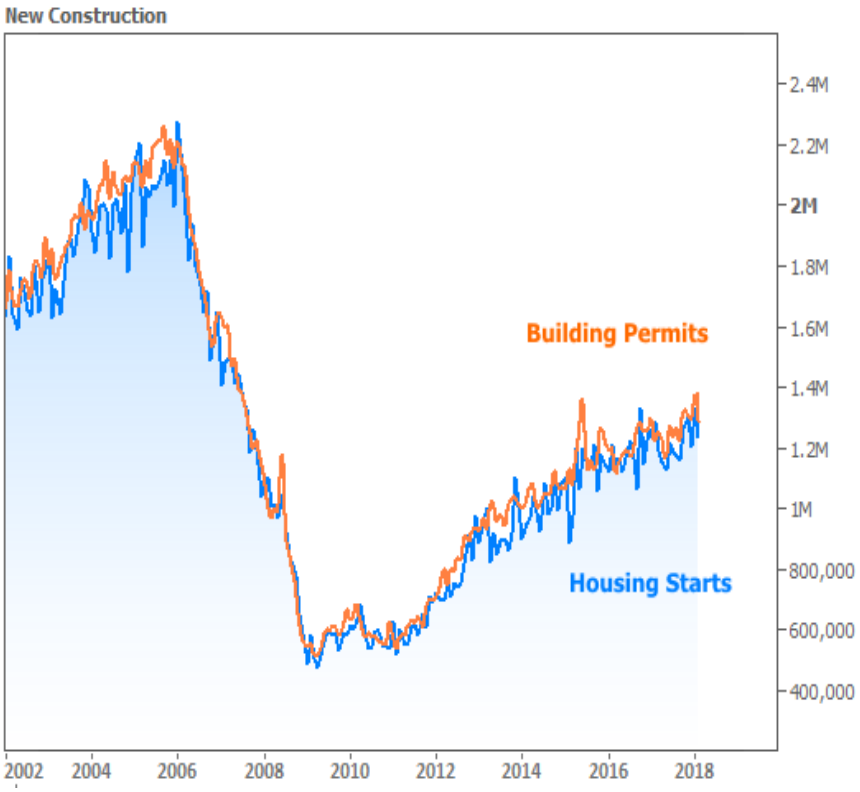



This week's **construction data** from the Census Bureau tells a similar story. Building Permits and Housing Starts (breaking ground on new construction) lost some ground compared to the previous report, but the overall trend remains **unequivocally positive**. Moreover, heavy declines in the multifamily sector accounted for all of the weakness in Housing Starts and most of the weakness in Permits.

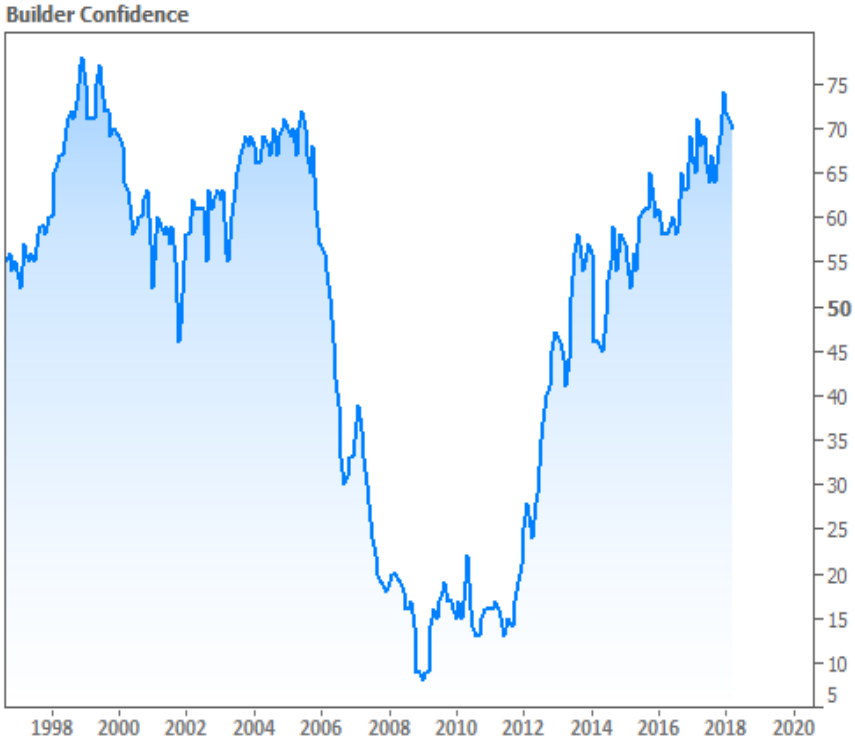
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Given that trend in construction numbers and purchase applications, it's no surprise to see **builder confidence near all-time highs** according to the National Association of Homebuilders (NAHB). Here too, the data was slightly weaker than the previous month (their Housing Market Index fell to 70 from 71), but the longer-term trend speaks for itself.

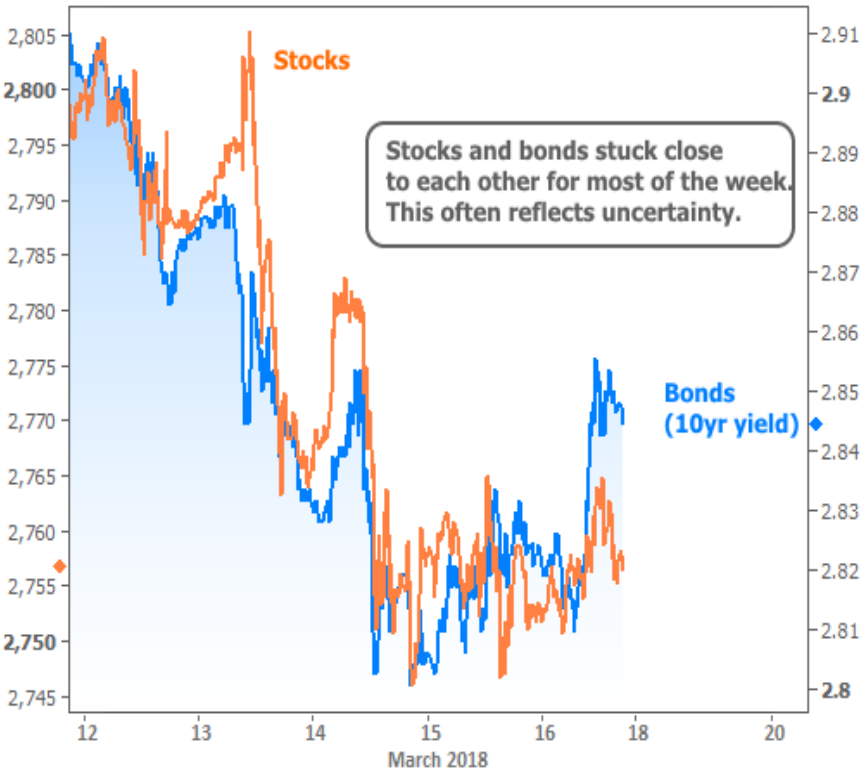



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In terms of this week's financial market movements, things were fairly quiet in the bigger picture with modest declines for stocks and bond yields. The two generally huddled together throughout the week--typical behavior amid **broader uncertainty**.



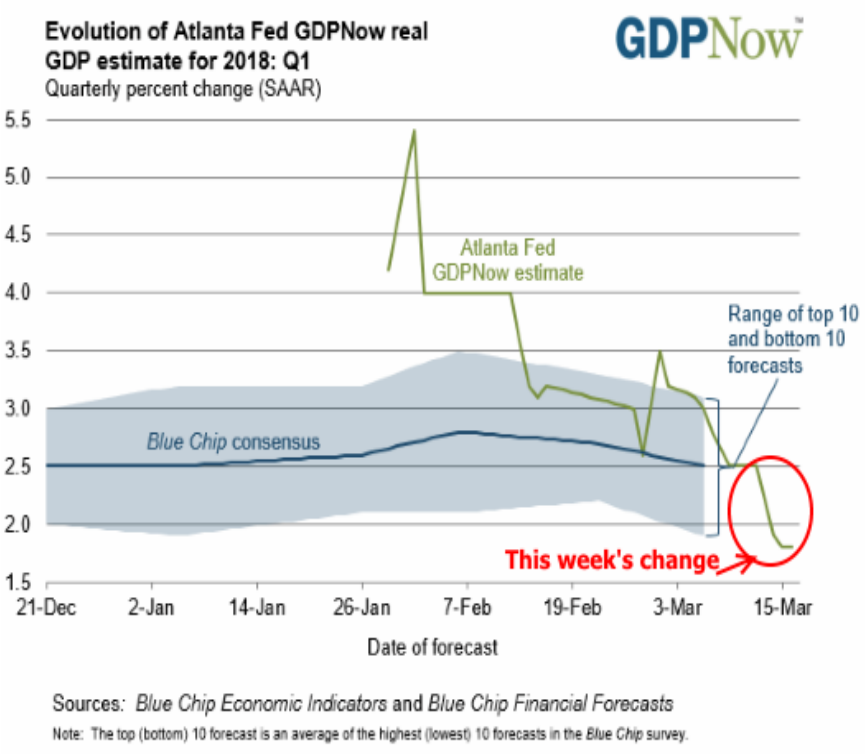

So **what's fueling the uncertainty?** On Tuesday, stocks fell in response to the President confirming Larry Kudlow would replace Gary Cohn as the top economic advisor to the White House. Several news stories also suggested the administration could soon impose new tariffs on China.

On Wednesday, the Atlanta Fed released a periodic update of its GDP tracking (referred to as GDPNow). **Unlike** a forecast based on economic research, GDPNow attempts to emulate the math underlying the **actual** GDP number, but to do so in a far more timely manner. This week's update showed a sharp decline, bringing it below the blue chip consensus for the first time.

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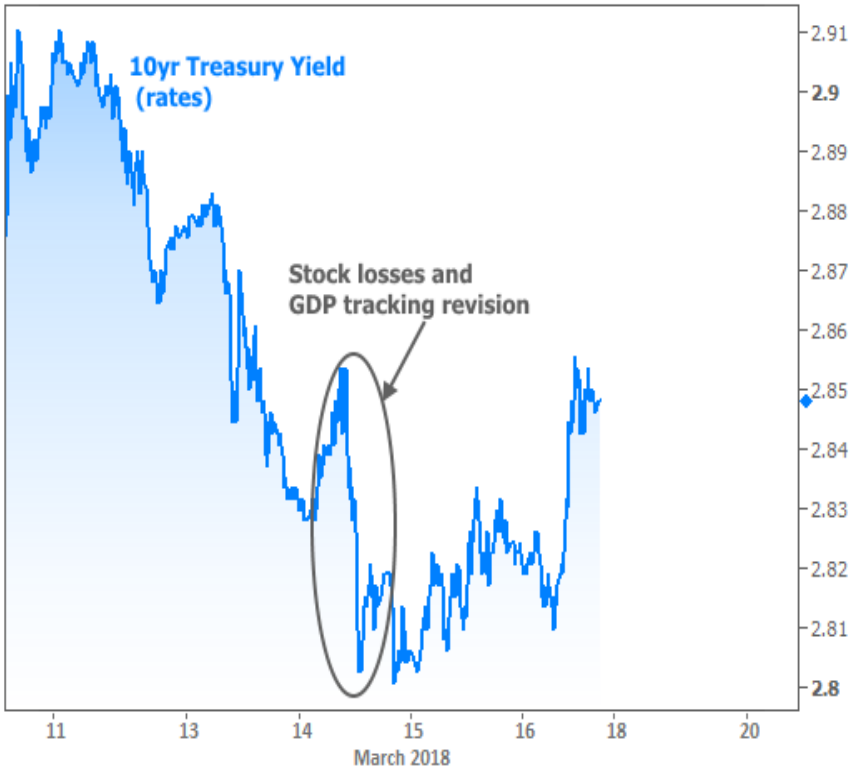


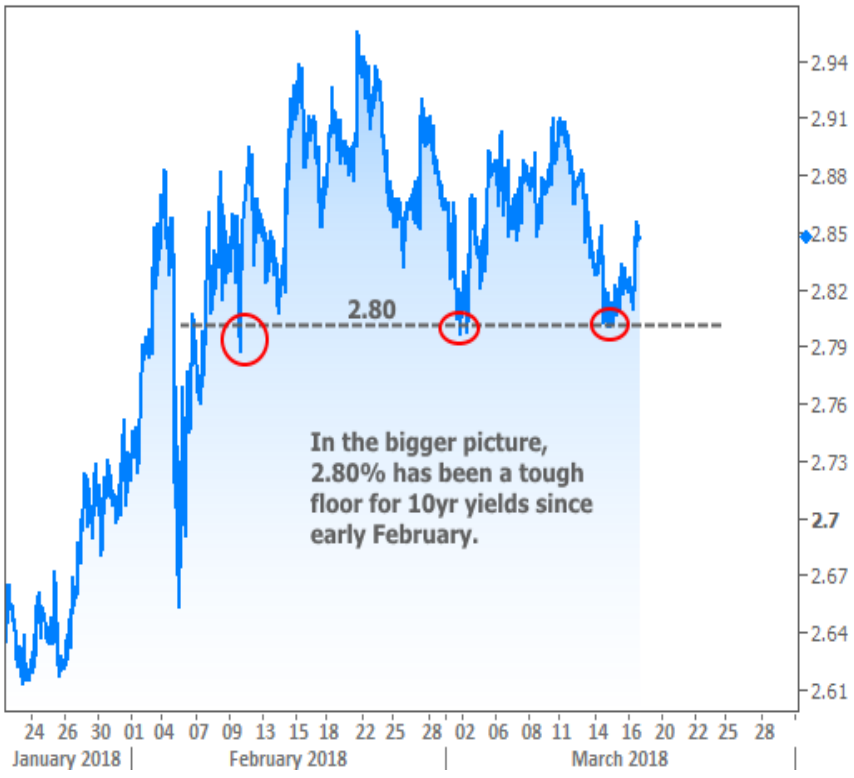

This accounted for the week's strongest move toward **lower interest rates**, with 10yr yields falling quickly to 2.80%. From there, rates reenacted their last encounter with 2.80%, unfortunately. That's been a tough floor to break for more than a month now, despite several attempts.

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One thing to keep in mind as we discuss rates' unwillingness to push past recent lows, or the huddling together of rates and stocks discussed above, is that we have an **important Fed Announcement coming up next week**. Most economists and traders agree that the Fed will hike its policy rate. In fact, that's essentially a given, and thus already priced-in to current trading levels.

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Of far more interest for financial markets is the **TONE** the Fed sets going forward. This will be accomplished via the Fed's economic projections (which include their rate hike outlook) as well as Jerome Powell's first press conference as Fed Chair. These ancillary events only occur at 4 of the year's 8 scheduled Fed meetings, and they're increasingly relied-upon for insight to the evolution of the Fed's thinking.

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## Recent Economic Data

| Date | Event | Actual | Forecast | Prior |
|---|---|---|---|---|
| **Tuesday, Mar 13** | | | | |
| 8:30AM | Feb CPI mm, sa (%) | | | 0.5 |
| 8:30AM | Feb Core CPI Year/Year (%) | 1.8 | 1.8 | 1.8 |
| **Wednesday, Mar 14** | | | | |
| 7:00AM | w/e MBA Purchase Index | 246.5 | | 238.3 |
| 7:00AM | w/e Mortgage Refinance Index | 1159.3 | | 1185.7 |
| 8:30AM | Feb Core Producer Prices YY (%) | 2.5 | 2.5 | 2.2 |
| 8:30AM | Feb Producer Prices (%) | 0.2 | 0.1 | 0.4 |
| 8:30AM | Feb Retail Sales (%) | -0.1 | 0.3 | -0.3 |
| **Thursday, Mar 15** | | | | |
| 8:30AM | Feb Import prices mm (%) | 0.4 | 0.2 | 1.0 |
| 8:30AM | Mar Philly Fed Business Index | 22.3 | 23.0 | 25.8 |
| 8:30AM | Feb Export prices mm (%) | 0.2 | 0.3 | 0.8 |
| 8:30AM | Mar NY Fed Manufacturing | 22.50 | 15.00 | 13.10 |
| 8:30AM | w/e Jobless Claims (k) | 226 | 230 | 231 |
| 10:00AM | Mar NAHB housing market indx | 70 | 71 | 72 |
| **Friday, Mar 16** | | | | |
| 8:30AM | Feb House starts mm: change (%) | -7.0 | | 9.7 |
| 8:30AM | Feb Housing starts number mm (ml) | 1.236 | 1.290 | 1.326 |
| 8:30AM | Feb Building permits: number (ml) | 1.298 | 1.320 | 1.377 |
| 8:30AM | Feb Build permits: change mm (%) | -5.7 | | 5.9 |
| 9:15AM | Feb Capacity Utilization (%) | | | 77.5 |
| 9:15AM | Feb Industrial Production (%) | 1.1 | 0.3 | -0.1 |
| 10:00AM | Mar 1yr Inflation Outlook (%) | 2.9 | | 2.7 |
| 10:00AM | Mar 5yr Inflation Outlook (%) | 2.5 | | 2.5 |
| 10:00AM | Mar Consumer Sentiment | 102.0 | 99.3 | 99.7 |
| **Wednesday, Mar 21** | | | | |
| 7:00AM | w/e Mortgage Market Index | 383.0 | | 387.4 |
| 10:00AM | Feb Existing home sales (ml) | 5.54 | 5.40 | 5.38 |
| 2:00PM | N/A FOMC rate decision (%) | 1.500 - 1.750 | 1.625 | 1.375 |
| **Thursday, Mar 22** | | | | |

## Event Importance:

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

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| Date | Event | Actual | Forecast | Prior |
|---|---|---|---|---|
| 9:00AM | Jan Monthly Home Price mm (%) | 0.8 | | 0.3 |
| **Friday, Mar 23** | | | | |
| 8:30AM | Feb Durable goods (%) | 3.1 | 1.5 | -3.6 |
| 8:30AM | Feb Nondefense ex-air (%) | 1.8 | 0.8 | -0.3 |
| 10:00AM | Feb New home sales chg mm (%) | -0.6 | 4.4 | -7.8 |

## 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.

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