


## David Hanks

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# Some Uncertainty at The End of an Otherwise Decent Week

The week began with some challenges for the rate market and a bounce for stocks following the US/China trade deal over the weekend. Stocks held their gains, but rates managed to move back down by the end of the week. Thursday was the only important day in that regard with rates benefiting from weaker Retail Sales data and a well-received speech from Fed Chair Powell.

Friday began on an even stronger note for the underlying bond market (bonds dictate interest rate movement), but that didn't last long after the Consumer Sentiment data showed the highest inflation expectations since 1981.




## 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 | 99.80 | -0.01 |
| 10 YR Treasury | 4.9253 | -0.0046 |
| 30 YR Treasury | 5.3023 | -0.0059 |

Pricing as of: 11/1 9:57PM 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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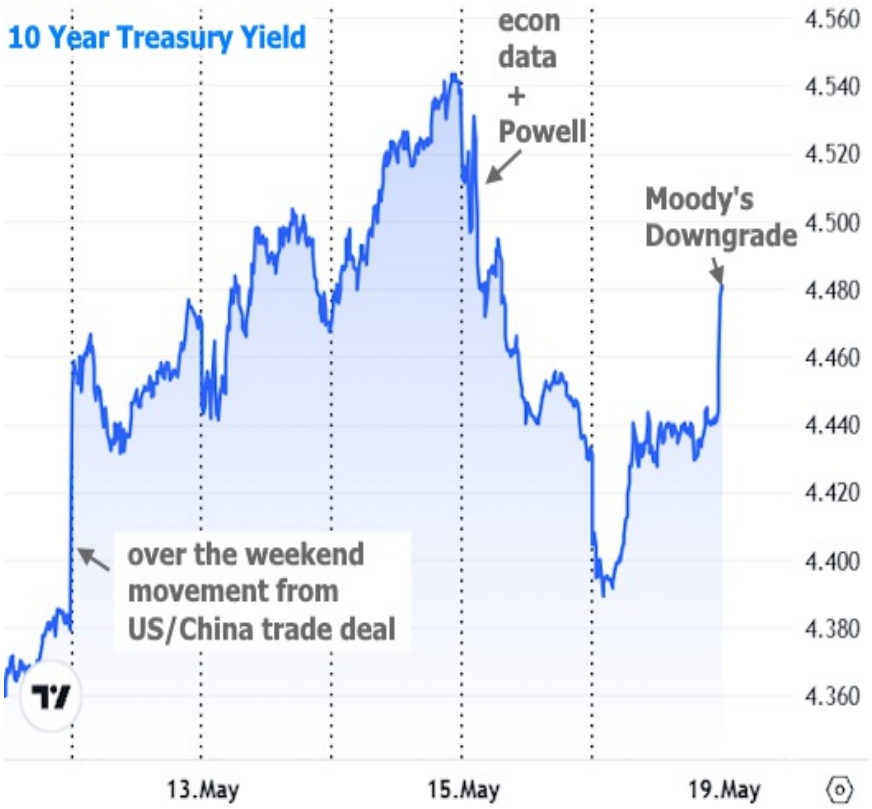
We know that inflation is bad for rates, but do rates really care about some consumer survey? At times, yes! The rationale is that if consumers are sufficiently convinced that prices will go up for things they want to buy, they will buy more of those things sooner than they otherwise would, thus increasing prices via a scarcity of supply.

Consumer expectations are certainly far from the best inflation indicator. They're just another tool to flesh out the bigger picture. In this particular case, the survey wasn't as relevant as it might have been due to timing. Based on the survey's methodology the assumption is that most of the responses were recorded **before** the big US/China trade announcement on Monday.

Friday ended up seeing an even more compelling source of volatility. With 15 minutes left in the trading day, the ratings agency Moody's announced a downgrade of the US' credit rating. This has happened before, typically when congress is in the throes of debating the debt ceiling, a government shutdown, or in this case, the budget bill.

Due to limited past examples, there's no telling if this will still be impacting markets by the end of next week. Some will remember 2011's example and the massive drop in interest rates that followed, but they'll likely overlook the role that the European credit crisis was playing at the time.

Because we only saw 15 minutes of market reaction, all we know is that it caused modest but swift upward movement in bond yields at the time (yields correlate with interest rates).




If we zoom the chart out a bit, we can still see Friday's jump in yields, but just barely. It's not remotely on the same scale of volatility as the early April tariff reaction.

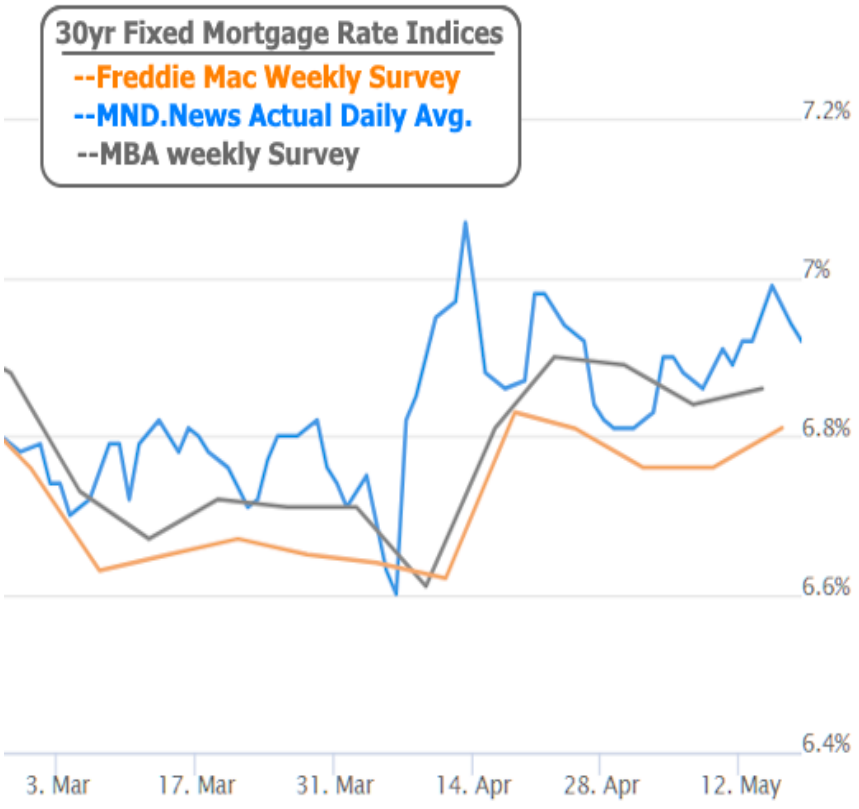
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As for mortgage rates, most lenders didn't have time left in the day to react to the Moody's news. Based on the underlying market movement in mortgage bonds, Friday likely would have ended with 30yr fixed rates being slightly higher than Thursday, but not as high as Wednesday.




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## Recent Economic Data

| Date | Event | Actual | Forecast | Prior |
|---|---|---|---|---|
| **Tuesday, May 13** | | | | |
| 8:30AM | Apr m/m CORE CPI (%) | 0.2% | 0.3% | 0.1% |
| 8:30AM | Apr m/m Headline CPI (%) | 0.2% | 0.3% | -0.1% |
| 8:30AM | Apr y/y CORE CPI (%) | 2.8% | 2.8% | 2.8% |
| **Thursday, May 15** | | | | |
| 8:30AM | Apr Core Producer Prices MM (%) | -0.4% | 0.3% | -0.1% |
| 8:30AM | Apr Core Producer Prices YY (%) | 3.1% | 3.1% | 3.3% |
| 8:30AM | May NY Fed Manufacturing | -9.20 | -10 | -8.10 |
| 8:30AM | May/10 Jobless Claims (k) | 229K | 229K | 228K |
| 8:30AM | May Philly Fed Prices Paid | 59.80 | | 51.00 |
| 8:30AM | May Philly Fed Business Index | -4 | -11 | -26.4 |
| 8:30AM | Apr Retail Sales Control Group MoM | -0.2% | 0.3% | 0.4% |
| 8:30AM | Apr Retail Sales (%) | 0.1% | 0% | 1.5% |
| 9:15AM | Apr Industrial Production (%) | 0% | 0.2% | -0.3% |
| 10:00AM | Mar Business Inventories (% ) | 0.1% | 0.2% | 0.2% |
| 10:00AM | May NAHB housing market indx | 34 | 40 | 40 |
| **Friday, May 16** | | | | |
| 8:30AM | Apr Building Permits (ml) | 1.412M | 1.450M | 1.467M |
| 8:30AM | Apr Housing starts number mm (ml) | 1.361M | 1.37M | 1.324M |
| 8:30AM | Apr Import prices mm (%) | 0.1% | -0.4% | -0.1% |
| 10:00AM | May Sentiment: 1y Inflation (%) | 7.3% | | 6.5% |
| 10:00AM | May Consumer Sentiment (ip) | 50.8 | 53.4 | 52.2 |
| **Thursday, May 22** | | | | |
| 8:30AM | May/17 Jobless Claims (k) | 227K | 230K | 229K |
| 9:45AM | May S&P Global Composite PMI | 52.1 | | 50.6 |
| 9:45AM | May S&P Global Services PMI | 52.3 | 50.8 | 50.8 |
| 9:45AM | May S&P Global Manuf. PMI | 52.3 | 50.1 | 50.2 |
| **Friday, May 23** | | | | |
| 10:00AM | Apr New Home Sales (ml) | 0.743M | 0.692M | 0.724M |

## Event Importance:

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

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## 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** 

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