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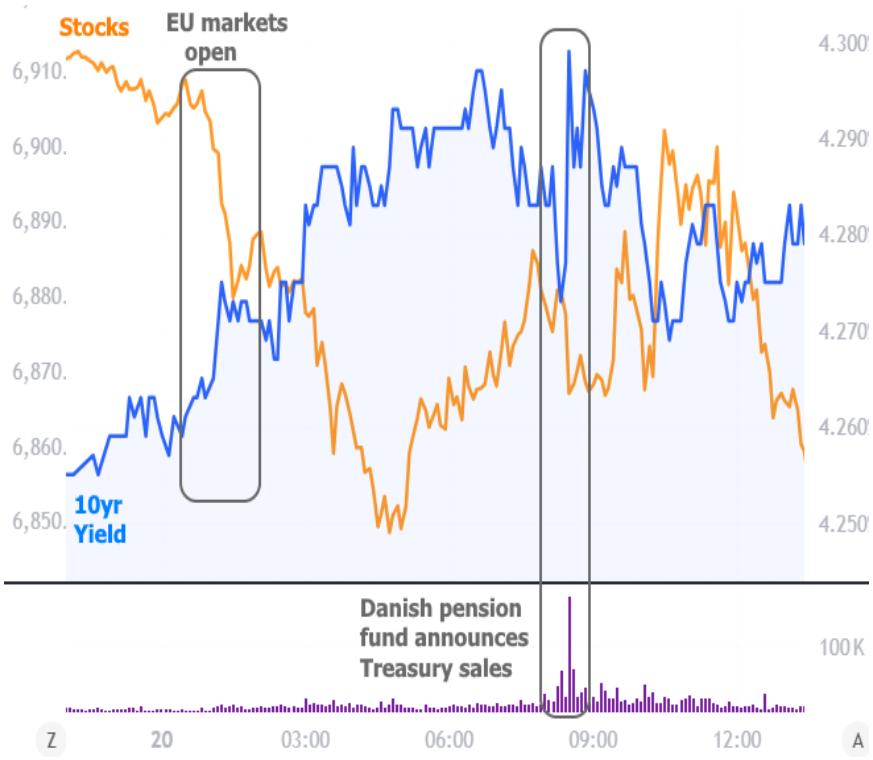
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# Tougher Week For Rates, But Mortgage Apps Soar to 3 Year High

Mortgage rates pulled back this week as the bond market digested geopolitical tension. After the 3-day holiday weekend, traders returned to find overseas markets pushing bond yields higher.

The lesser of the two motivations had to do with fallout over fiscal issues in Japan which prompted heavy selling of Japanese bonds. There is often a certain amount of correlation between the sovereign debt of major economies and it's not uncommon to see U.S. yields moving higher if there's a big uptick in Asia/Europe. Generally speaking higher yields translate to higher mortgage rates.

The larger issue was geopolitical in nature. European markets reacted to escalation of the administration's stance on Greenland over the weekend. New tariff threats were part of the problem, but the most noticeable uptick in trading volume followed news that a Danish pension fund was pulling out of Treasuries.




## National Average Mortgage Rates




| Mortgage News Daily | Rate | Change | Points |
|---|---|---|---|
| 30YR Fixed | 7.42% | +0.12 | 0.00 |
| 15YR Fixed | 7.00% | +0.08 | 0.00 |
| 30YR FHA | 7.00% | +0.11 | 0.00 |
| 30YR Jumbo | 7.46% | +0.06 | 0.00 |
| 7/6 SOFR | 7.05% | +0.25 | 0.00 |
| 30YR VA | 7.01% | +0.11 | 0.00 |

Rates as of: 11/12

## MBS and Treasury

| | Price / Yield | Change |
|---|---|---|
| MBS UMBS 6.0 | 98.73 | -0.04 |
| 10 YR Treasury | 5.1377 | +0.0081 |
| 30 YR Treasury | 5.4698 | +0.0150 |

Pricing as of: 11/13 12:09PM EST

## Recent Housing Data

| | | Value | Change |
|---|---|---|---|
| Mortgage Apps | Oct 28 | 192.6 | -1.23% |
| 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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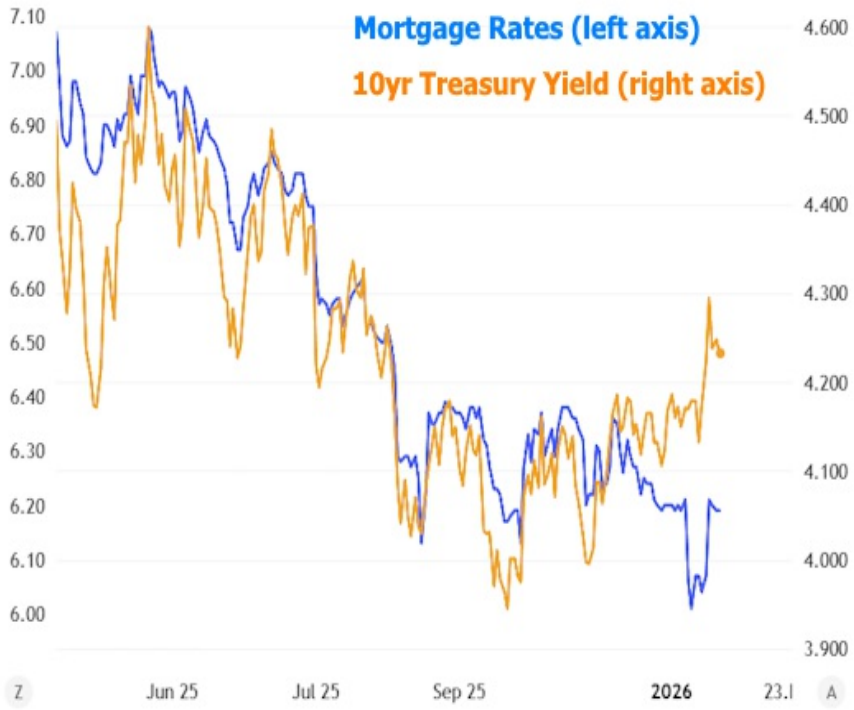
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That strategy wasn't seen as sustainable for the rest of Europe's money managers and the overall amount was small in the grand scheme of things, hence the minimal additional rise in 10yr yields.

From that point on, the bond market calmed down through the end of the week. Economic reports were uneventful and several of the biggest examples were very stale as agencies continue getting caught up after the government shutdown.

Mortgage rates were affected by Tuesday morning's bond market weakness, with the average lender pulling back up to levels seen before the big drop on January 9th after the administration's MBS buying announcement. That said, mortgage rates are handily outperforming Treasuries thanks to that same announcement (and, indeed, thanks to actual MBS purchases). There's no other way to explain the following chart:




In other words, the MBS buying announcement initially caused mortgage rates to surge lower. Now this week, it's providing insulation to mortgage rates against moving higher at the pace seen in Treasuries.

The results of the recent rate rally were on full display in this week's mortgage application data from the Mortgage Bankers Association (MBA).

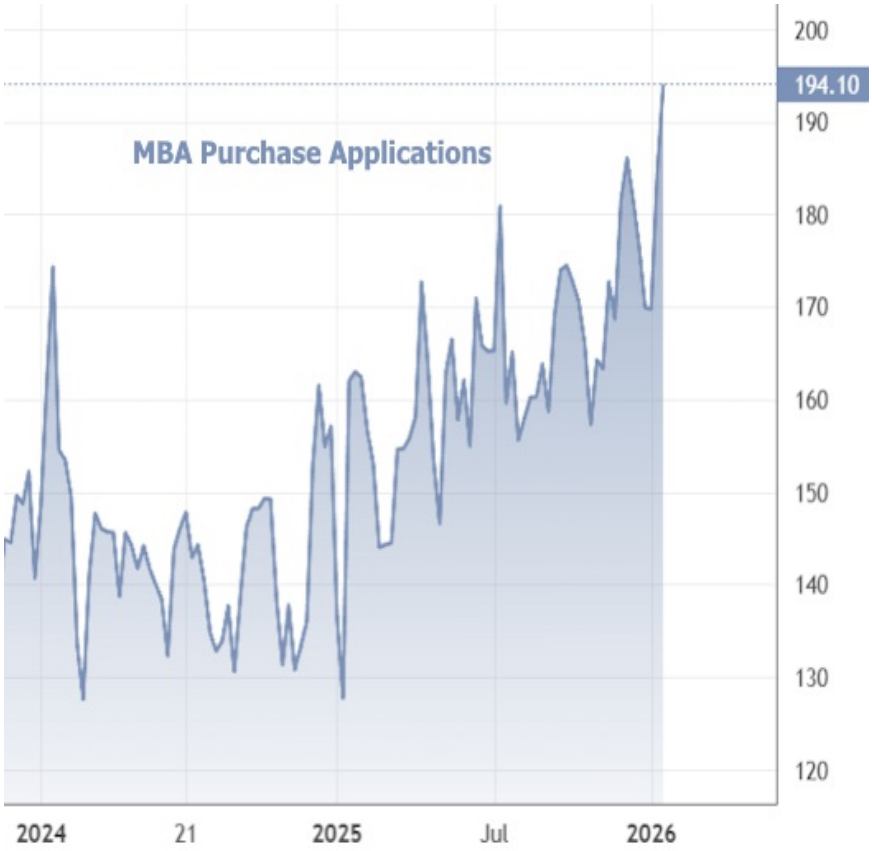
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It's normal for refi demand to respond to big rate rallies, but a case could be made that purchase apps are getting some benefit as well. They advanced to their highest level in 3 years this week.

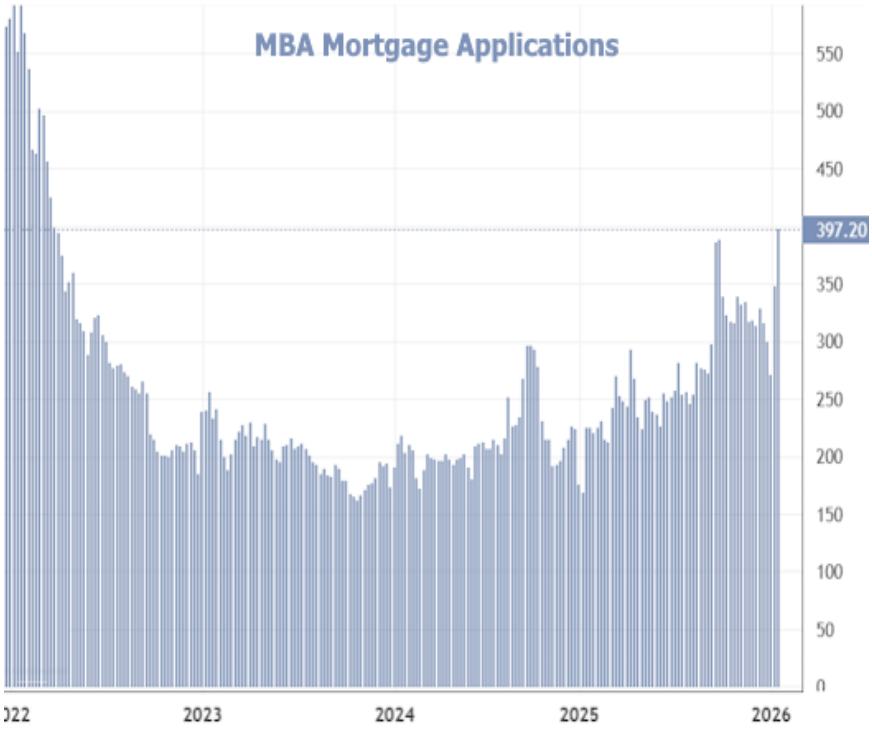



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Overall, mortgage apps are the highest in nearly 4 years after this week's data:




Next week brings several more economic reports, but none that are as important for rates as the jobs report that comes out on February 6th. That leaves the Fed announcement as the most newsworthy event. In this case, the market effectively sees a zero percent chance of a Fed rate cut this time around, but the text of the statement and Fed Chair Powell's press conference can always offer clues to how the Fed will approach the following meeting (March 18th).

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## Recent Economic Data

| Date | Event | Actual | Forecast | Prior |
|---|---|---|---|---|
| **Tuesday, Jan 20** | | | | |
| 8:15AM | ADP Employment Change Weekly | 8K | | 11.75K |
| **Wednesday, Jan 21** | | | | |
| 7:00AM | Jan/16 MBA Refi Index | 1580.8 | | 1313.1 |
| 7:00AM | Jan/16 MBA Purchase Index | 194.1 | | 184.6 |
| 10:00AM | Dec Pending Home Sales (%) | -9.3% | -0.3% | 3.3% |
| **Thursday, Jan 22** | | | | |
| 8:30AM | Q3 GDP (%) | 4.4% | 4.3% | 3.8% |
| 8:30AM | Jan/17 Jobless Claims (k) | 200K | 212K | 198K |
| 10:00AM | Nov Core PCE (y/y) (%) | 2.8% | 2.8% | 2.7% |
| 10:00AM | Oct Core PCE (y/y) (%) | 2.7% | 2.7% | 2.8% |
| **Friday, Jan 23** | | | | |
| 9:45AM | Jan S&P Global Services PMI | 52.5 | 52.8 | 52.5 |

## Event Importance:

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

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| Date | Event | Actual | Forecast | Prior |
|---|---|---|---|---|
| 9:45AM | Jan S&P Global Manuf. PMI | 51.9 | 52 | 51.8 |
| 10:00AM | Jan Consumer Sentiment (ip) | 56.4 | 54.0 | 52.9 |
| **Monday, Jan 26** | | | | |
| 8:30AM | Nov Durable goods (%) | 5.3% | 3.7% | -2.2% |
| **Tuesday, Jan 27** | | | | |
| 8:15AM | ADP Employment Change Weekly | 7.75K | | 8.0K |
| 9:00AM | Nov FHFA Home Prices y/y (%) | 1.9% | | 1.7% |
| 9:00AM | Nov Case Shiller Home Prices-20 y/y (%) | 1.4% | 1.2% | 1.3% |
| **Wednesday, Jan 28** | | | | |
| 2:00PM | Fed Interest Rate Decision | 3.75% | 3.75% | 3.75% |
| 2:30PM | Fed Press Conference | | | |
| **Thursday, Jan 29** | | | | |
| 8:30AM | Jan/24 Jobless Claims (k) | 209K | 205K | 200K |
| **Friday, Jan 30** | | | | |
| 8:30AM | Dec PPI m/m (%) | 0.5% | 0.2% | 0.2% |

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