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Rates Moving Back Up After 5-Month Lows

The past week has largely been about last Friday's Nonfarm Payrolls data and the ensuing market reaction. Nonfarm Payrolls—or NFP—is the key component of the Employment Situation, the most important piece of economic data in the US. When the so-called **'jobs report'** paints a stronger picture of labor markets, interest rates tend to rise while weaker jobs typically results in falling rates.

This time around, rates were already heading lower throughout last week. Even before the jobs data, the average 30yr fixed mortgage rate was in line with its **lowest levels in 5 months**. That was the culmination of a rate rally that began after the Fed's most recent policy announcement. By the time the jobs data came out, the **momentum** toward lower rates was already clearly fading.

The Fed knew the announcement was perceived as **overly-cautious** and they quickly set about correcting the public's opinion. Leading up to the jobs report, Fed speakers continually reminded markets that they were **a lot closer to raising rates than it seemed**. As such, the ebbing rate rally made sense, and investors were braced for the possibility that even a mediocre jobs report could spark an explosive move higher in rates.

This brief, recent history lesson is only **important** because the jobs data **completely shocked** markets. It was significantly weaker than expected, and in a way that left no room for "silver linings." Bond markets had no choice but to rally. When bond prices rally, rates fall. And fall they did... WELL into the lowest levels since April 2015.

Here's the catch: the improvement only lasted for a few hours before market participants were right back to the business of listening to the Fed explain itself. Again, the more the Fed explained itself, the more it was saying "we're not really as concerned as it seemed based on that Announcement." This campaign led to a quick correction that brought rates back in line with their recent range to begin this week.

From there, rates have **followed the stock market**. It's not uncommon for stocks and bonds to huddle together in times of increased uncertainty. It's also not uncommon for bond markets to be keenly aware of key levels in equities markets and to be ready to follow if those levels are broken.

National Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	6.43%	+0.02	0.00
15 Yr. Fixed	5.95%	0.00	0.00
30 Yr. FHA	5.82%	+0.02	0.00
30 Yr. Jumbo	6.62%	0.00	0.00
5/1 ARM	6.28%	-0.01	0.00
Freddie Mac			
30 Yr. Fixed	6.35%	-0.51	0.00
15 Yr. Fixed	5.51%	-0.65	0.00

Rates as of: 8/30

Market Data

	Price / Yield	Change
MBS UMBS 5.0	99.37	+0.02
MBS GNMA 5.0	99.93	+0.02
10 YR Treasury	3.9068	+0.0029
30 YR Treasury	4.1960	+0.0028

Pricing as of: 9/1 7:34PM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Aug 28	226.9	+0.49%
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%

That's what happened this week. After leveling off through Thursday afternoon, stock averages broke through an important ceiling, causing concern in bond markets that the momentum would continue in that direction. Unfortunately for fans of low interest rates, the direction in question is **HIGHER**, both for stocks and bond yields (aka "interest rates").

While the case is far from closed, the current environment is **risky** enough that it makes sense to **favor locking** versus floating. Rates could come back down, but there's greater risk of a quick move higher versus a quick move lower.

In **housing news**, last week's low rates were readily apparent in the skyrocketing **Mortgage Applications** data. The other side of the coin was the onset of the new TILA-RESPA Integrated Disclosures (TRID) rules, which prompted many buyers to get their apps in before facing the uncertainty associated with the new timeframe requirements.

Stronger-than-expected **home price appreciation** as noted by **CoreLogic**, goes hand in hand with data from Fannie Mae suggesting that overall **housing sentiment** was boosted by the perception of a Sellers' Market.

Keep in mind that bond markets are closed for **Columbus Day** this coming Monday October 12th. As such, many mortgage lenders will be closed or otherwise not able to process locks.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Monday, Oct 05				
10:00AM	Sep ISM N-Mfg PMI	56.9	57.5	59.0
Tuesday, Oct 06				
8:30AM	Aug International trade mm $ (bl)	-48.33	-47.4	-41.9
Wednesday, Oct 07				
7:00AM	w/e MBA Purchase Index	257.4		202.1
7:00AM	w/e Mortgage Refinance Index	2106.2		1695.9
1:00PM	10-yr Note Auction (bl)	21		
Thursday, Oct 08				
8:30AM	w/e Initial Jobless Claims (k)	263	270	277
8:30AM	w/e Continued jobless claims (ml)	2.204	2.195	2.191
1:00PM	30-Yr Bond Auction (bl)	13		
Friday, Oct 09				
8:30AM	Sep Export prices mm (%)	-0.7	-0.2	-1.4
8:30AM	Sep Import prices mm (%)	-0.1	-0.5	-1.8
Monday, Oct 12				
12:00AM	Columbus Day			
Wednesday, Oct 14				
8:30AM	Sep Retail sales mm (%)	+0.1	0.2	0.2
Thursday, Oct 15				
8:30AM	Oct NY Fed manufacturing	-11.36	-8.00	-14.67
8:30AM	Sep Core CPI mm, sa (%)	+0.2	0.1	0.1

Event Importance:

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

Date	Event	Actual	Forecast	Prior
8:30AM	Sep CPI mm, sa (%)	-0.2	-0.2	-0.1
8:30AM	Sep Core CPI index, sa	243.21		242.69
10:00AM	Oct Philly Fed Business Index	-4.5	-1.0	-6.0
Wednesday, Apr 05				
2:00PM	FOMC Minutes			

Service oriented, responsive, competitive rates and an in depth knowledge of todays mortgage market

After completing my degree in finance at the University of Connecticut, I started in the mortgage business right out of college in 2004. With 15+ years of experience and a primary objective of thoroughly explaining all available loan options to my clients with what is typically the largest investment in their lives, I strive to always make myself available. I constantly educate myself with respect to the mortgage industry and underwriting guidelines for FHA, VA, conventional and jumbo financing. I deliver on the expectations discussed up front and provide the service level my clients deserve from day one. I will remain in touch throughout the process and continue to follow up with you after closing. My goal is to wow you and turn you into clients for life. I want you to be so impressed that throughout and after the process you share my information with your friends, family, neighbors and co-workers who may value from my services.

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