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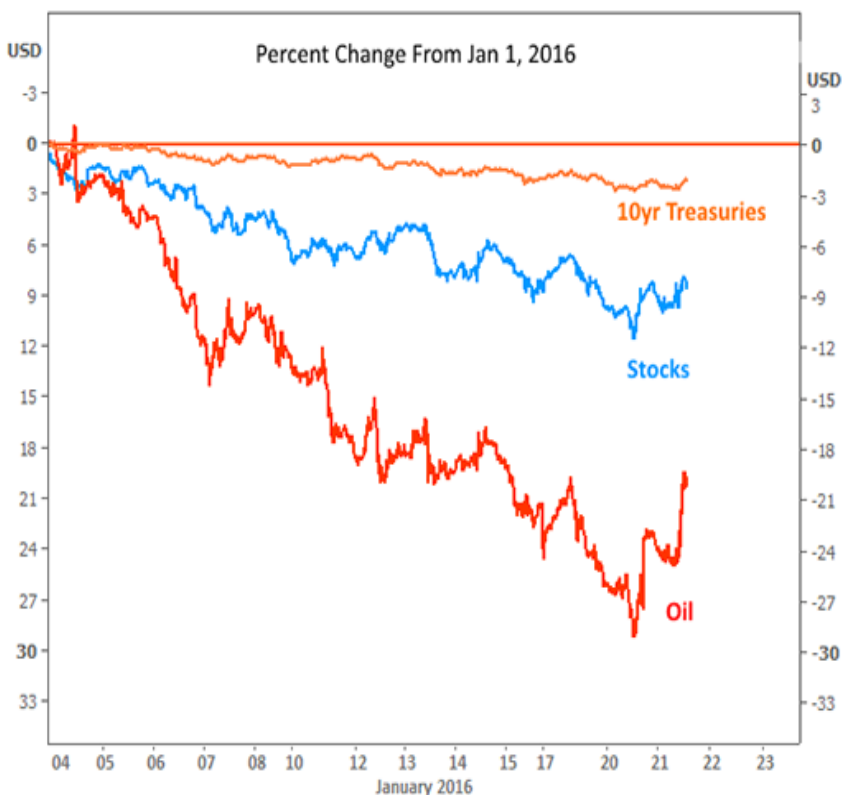
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Oil and Stocks Continue Dominating Interest Rate Markets

The big story of 2016 continues to be the **heavy losses** in risk markets and the resulting improvements in safer haven markets. A risk market is anything with a greater risk of loss in exchange for a greater potential for reward. Stocks are the quintessential risk market, but oil prices have been even more volatile of late.

Volatility and falling prices force investors to seek assets with more stable prices—potentially even rising prices. Although there have been times over the past few years that have challenged the notion, US Treasuries and similar bonds are the quintessential safe havens. This includes the mortgage-backed securities that drive **mortgage rates**.

Bonds are **attractive** at times like this because their typical range of volatility is much smaller than that of the aforementioned risk markets. The following chart shows the absolute percent change from the beginning of the year in stocks, oil, and 10yr Treasuries (a proxy for mortgage rates that lets us see more intraday activity).



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 |

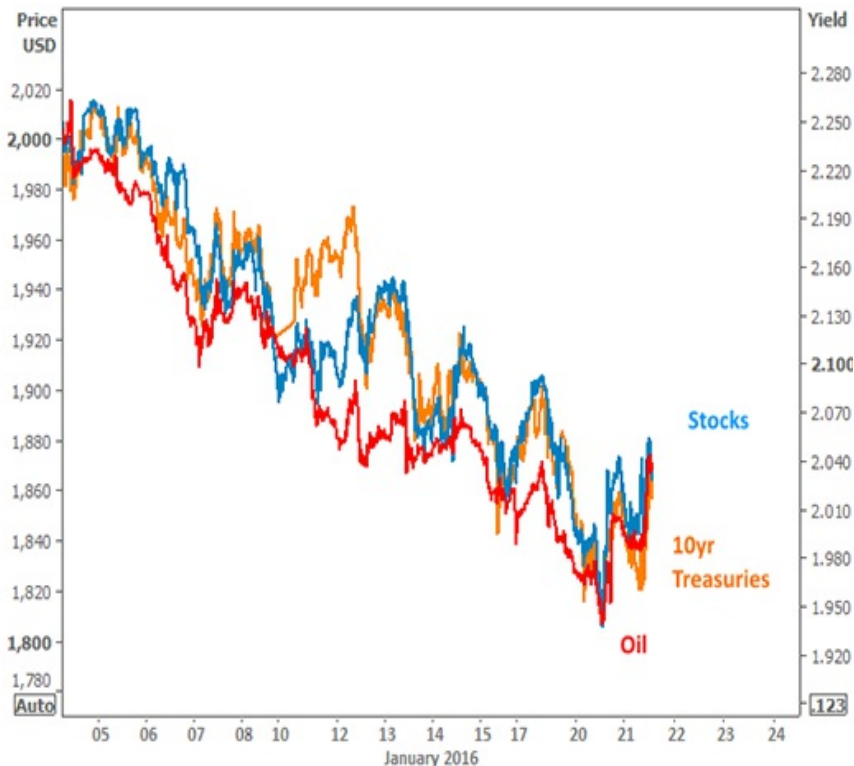
Pricing as of: 9/1 7:34PM EST

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% |

As you can see, Treasuries haven't even moved 3 percent so far this year. Meanwhile stocks were down roughly **four times** as much and oil nearly 10 times as much!

While there's no guarantee that rates will follow risk markets, when the losses are that big, they **almost always do**. 2016 is no exception. This chart shows how the 10yr Treasury yield has moved in relation to stock and oil prices so far this year:



Long story short, the bumpy ride in **stocks and oil** has absolutely been pushing investors into the bond market. As demand for bonds increases, rates fall. In fact, mortgage rates hit their lowest levels in more than 2 months this week, and are fairly close to 7-month lows. There's no telling how long the trend will last, and we'll only know it's over with the benefit of hindsight. History suggests that could happen as soon as "immediately" or it could continue for months and months.

Housing-Specific News

The surge toward lower rates has anecdotally **helped the housing market**. The Mortgage Bankers Association reported a **sharp increase in refinance applications** this week, and National Association of Homebuilders Housing Market Index continued to hold at 60 or above for the 8th straight month.

Builder Confidence



It remains to be seen whether rates will have much of an **impact on construction numbers**. Although slightly lower than estimates, December Housing Starts remained in the higher end of their 2015 range.

In mortgage-specific news, **Ellie Mae** reports that **loan processing times have remained elevated** as a result of the recently implemented TILA/RESPA Integrated Disclosures (TRID) rules.

CoreLogic opined on the **silver lining surround TRID issues** in the company's Insights Blog, as well as the **geographical considerations of affordability**.

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Recent Economic Data

| Date | Event | Actual | Forecast | Prior |
|--------------------------|-----------------------------------|--------|----------|--------|
| Tuesday, Jan 19 | | | | |
| 10:00AM | Jan NAHB housing market indx | 60 | 61 | 61 |
| Wednesday, Jan 20 | | | | |
| 7:00AM | w/e Mortgage Refinance Index | 1638.1 | | 1380.4 |
| 7:00AM | w/e MBA Purchase Index | 227.3 | | 231.1 |
| 8:30AM | Dec Building permits: number (ml) | 1.232 | 1.200 | 1.282 |
| 8:30AM | Dec CPI mm, sa (%) | -0.1 | 0.0 | 0.0 |
| 8:30AM | Dec Build permits: change mm (%) | -3.9 | | 10.4 |
| 8:30AM | Dec Core CPI mm, sa (%) | +0.1 | 0.2 | 0.2 |
| 8:30AM | Dec Housing starts number mm (ml) | 1.149 | 1.200 | 1.173 |
| 8:30AM | Dec Core CPI index, sa | 244.45 | | 244.14 |
| Thursday, Jan 21 | | | | |
| 8:30AM | w/e Continued jobless claims (ml) | 2.208 | 2.217 | 2.263 |
| 8:30AM | w/e Initial Jobless Claims (k) | 293 | 285 | 284 |
| 8:30AM | Jan Philly Fed Business Index | -3.5 | -5.0 | -10.2 |

Event Importance:

No Stars = Insignificant

☆ Low

★ Moderate

★★ Important

★★★ Very Important

| Date | Event | Actual | Forecast | Prior |
|--------------------------|----------------------------------|-----------|----------|-------|
| Friday, Jan 22 | | | | |
| 10:00AM | Dec Exist. home sales % chg (%) | +14.7 | 8.9 | -10.5 |
| 10:00AM | Dec Existing home sales (ml) | 5.46 | 5.20 | 4.76 |
| Tuesday, Jan 26 | | | | |
| 9:00AM | Nov CaseShiller 20 mm nsa (%) | +0.1 | 0.1 | 0.1 |
| 9:00AM | Nov CaseShiller 20 yy (%) | +5.8 | 5.7 | 5.5 |
| 9:00AM | Nov CaseShiller 20 mm SA (%) | +0.9 | 0.8 | 0.8 |
| 10:00AM | Jan Consumer confidence | 98.1 | 96.5 | 96.5 |
| Wednesday, Jan 27 | | | | |
| 10:00AM | Dec New home sales-units mm (ml) | 0.544 | 0.500 | 0.490 |
| 10:00AM | Dec New home sales chg mm (%) | +10.8 | 2.0 | 4.3 |
| 2:00PM | N/A FOMC rate decision (%) | 0.25-0.50 | 0.375 | |
| Thursday, Jan 28 | | | | |
| 8:30AM | Dec Durable goods (%) | -5.1 | -0.6 | 0.0 |
| Friday, Jan 29 | | | | |
| 9:45AM | Jan Chicago PMI | 55.6 | 45.0 | 42.9 |

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.

Steve Chizmadia

