



Steve Chizmadia

Mortgage Advisor - MLO-244902, Home Loans With Steve

NMLS ID: 1845124- CA BRE: 01524985 - 141 Providence Road Charlotte, NC 28207

Office: (760) 715-9688
 Mobile: (760) 715-9688
steve@homeloanswithsteve.com
[View My Website](#)

Are Markets Confused, Scared, or Just Waiting?

The US presidential election and the ensuing shift in tone on the part of the Federal Reserve were certainly **game-changers** for financial markets in the short term. But now that the dust is settling from the initial reaction, markets are looking like they're not entirely sure where they want to go from here. Are they confused, scared, or just waiting?

Some **confusion is to be expected**. After all, stocks and interest rates moved rapidly higher based on expectations for policies that would take years to fully filter through to the economy. Moreover, the move took place well before Trump ever took office.

Market participants are OK with that. It's their job to adjust **today's** stock and bond prices to reflect their best guesses about a **future** reality. They also did a good job of accounting for the increase in consumer optimism seen in recent surveys.

But markets can only run on optimism and expectations for so long. Eventually, **actual** changes will have to justify higher stock prices and interest rates. As some of President Trump's legislative efforts hit snags in recent weeks, fear set in about the sustainability of the initial reaction.

Here too, **fear is to be expected**. If policies fall short of expectations, everything might slide in the other direction for markets.

That leaves us with "**waiting**" as the most logical speed for market movements. Markets **do not like to wait**. Waiting means flat trading levels and less opportunity for profit. So markets key in on other available options to pass the time. Chief among these options for bond markets is Fed-Watching.

After the Fed unveiled a faster rate hike forecast in December, investors have become increasingly sensitive to Fed rate hike expectations. This is **especially true** for bond markets (i.e. "rates"), as can be seen in the following chart (10yr Treasuries are the best benchmark for momentum in longer-term rates like mortgages).

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

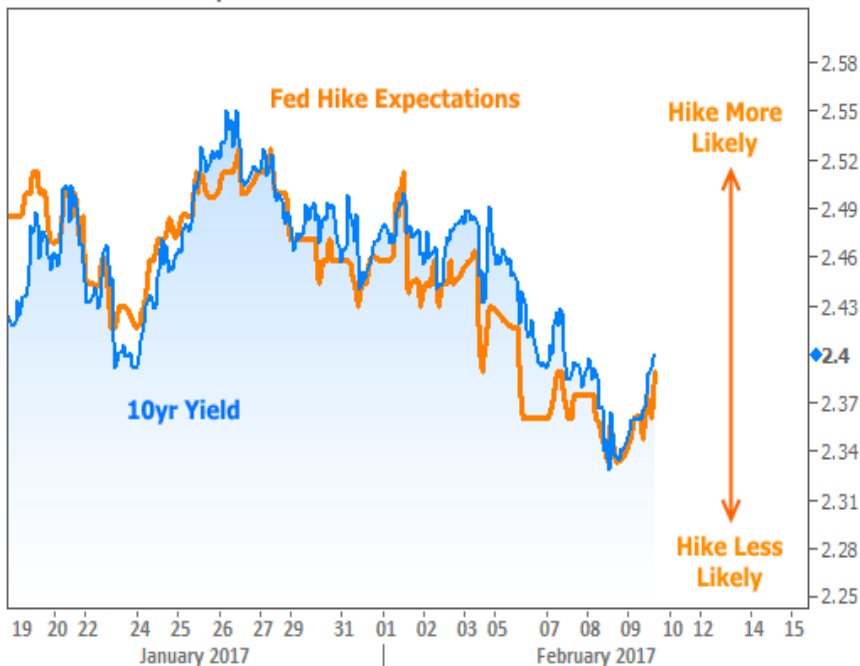
	Price / Yield	Change
MBS UMBS 5.0	99.37	+0.02
MBS GNMA 5.0	99.93	+0.02
10 YR Treasury	3.9068	+0.0029
30 YR Treasury	4.1960	+0.0028

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

Recent Housing Data

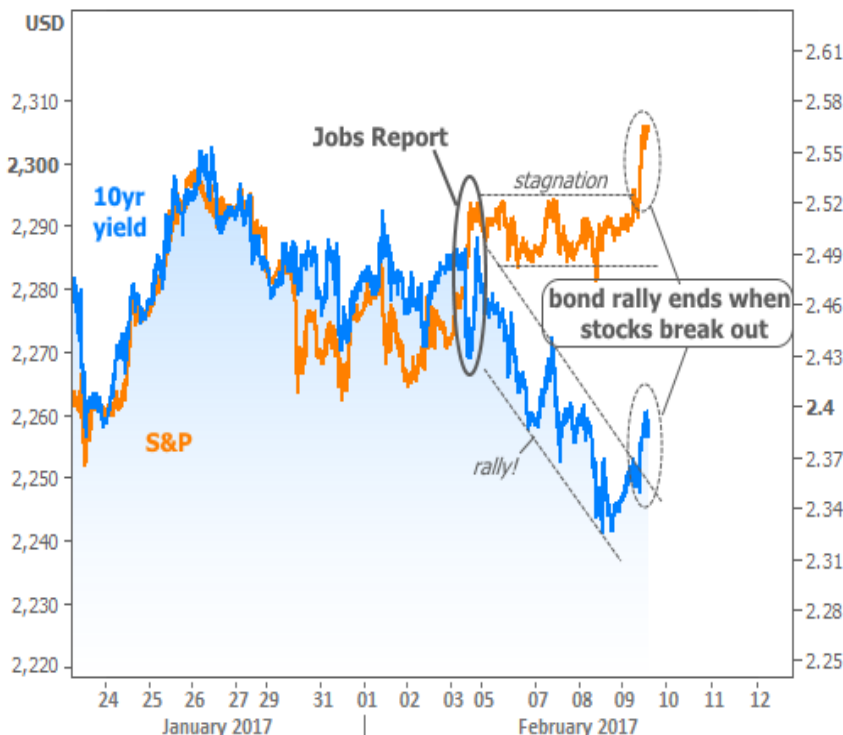
	Value	Change
Mortgage Apps	Aug 28 226.9	+0.49%
Building Permits	Mar 1.46M	-3.95%
Housing Starts	Mar 1.32M	-13.15%
New Home Sales	Mar 693K	+4.68%
Pending Home Sales	Feb 75.6	+1.75%
Existing Home Sales	Feb 3.97M	-0.75%
Builder Confidence	Mar 51	+6.25%

Rates vs Rate Hike Expectations



One way markets attempt to read the Fed's mind is by watching the **economic data** that might cause the Fed to adjust its timing. Last week's jobs report was a great example of this phenomenon. Bonds rallied and stocks stagnated. That rally persisted for the first 3 days of this week, but ran out of steam on Thursday.

Stocks vs Bonds



Even though the previous chart highlights a potential connection between stocks and bonds, there are other, **simpler ways** to explain the recent movement. They go back to the notion of "waiting," and they're just as valid as any other explanation. Quite simply, the bounce in rates fits perfectly with the prevailing consolidation pattern (discussed in [last week's newsletter](#)).



Remaining inside these lines is the bond market's way of "waiting." Given that the outer lines are converging, this obviously **can't go on forever**. When rates finally break out, if they look excited about the direction they're heading, that will be the first **real decision** they've made in months.

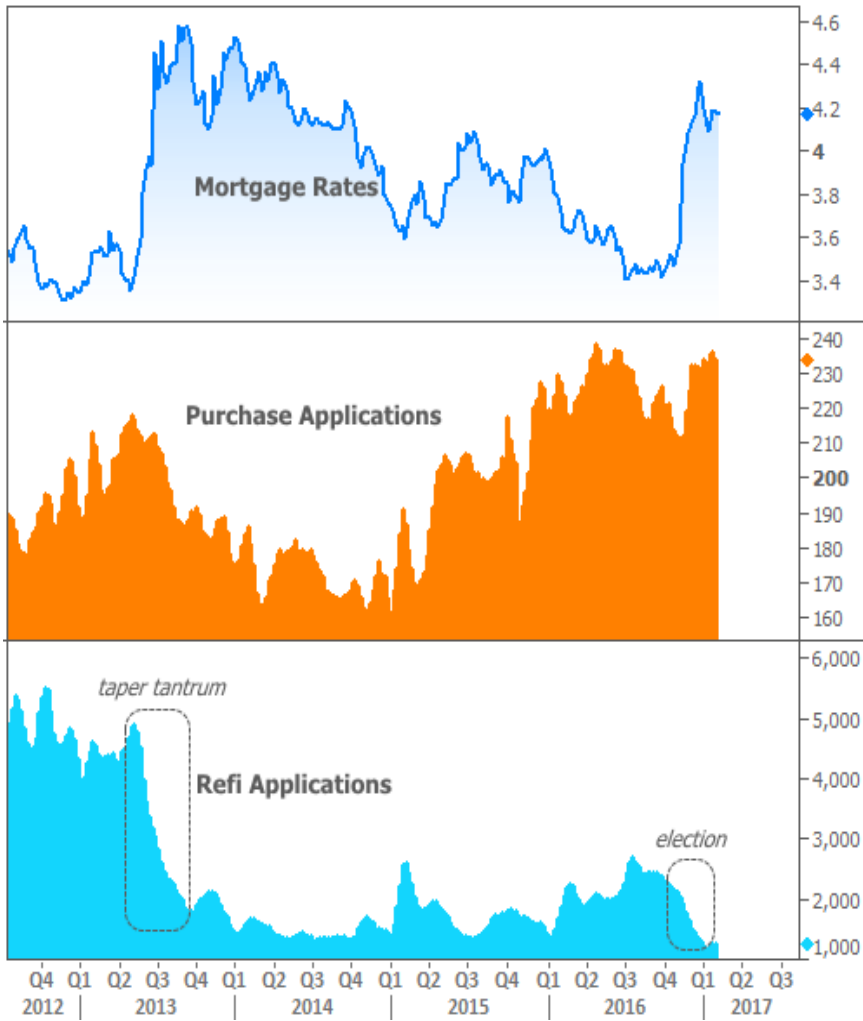
Housing and Econ Data

This was a very light week for scheduled data and events. US Treasury auctions dominated the calendar and caused a good amount of intraday volatility for rates. As such, lender **reprices** were more common.

Housing data was generally upbeat. Fannie Mae unveiled an improved [Home Purchase Sentiment survey](#) for January. The [National Association of Realtors](#) and [CoreLogic](#) both noted strong price gains, with the latter showing year-over-year gains of more than 7 percent.

In bigger picture news, the [Mortgage Bankers Association](#) (MBA) offered some historical data that suggests the somewhat troubling slide in home-ownership is a trend that may be reversible.

The MBA also put out its weekly report on Mortgage Apps. They didn't move much overall, but the share of refinance apps [fell to a 7.5-year low](#). This says more about the recent strength in purchase applications than it does about refi demand, which is merely falling in line with the levels typically seen during interest rate spikes. In any event, the damage has been nowhere near that seen after 2013's taper tantrum.



Subscribe to my newsletter online at: <http://mortgagenewsletter.net/homeloansbysteve>

Recent Economic Data

Date	Event	Actual	Forecast	Prior
Tuesday, Feb 07				
8:30AM	Dec International trade mm \$ (bl)	-44.3	-45.0	-45.2
1:00PM	3-Yr Note Auction (bl)	24		
Wednesday, Feb 08				
7:00AM	w/e Mortgage Market Index	393.6		384.7
Thursday, Feb 09				
8:30AM	w/e Initial Jobless Claims (k)	234	245	246
10:00AM	Dec Wholesale inventories mm (%)	+1.0	1.0	1.0
Friday, Feb 10				
8:30AM	Jan Import prices mm (%)	+0.4	0.2	0.4
8:30AM	Jan Export prices mm (%)	+0.1	0.1	0.3

Event Importance:

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

Date	Event	Actual	Forecast	Prior
10:00AM	Feb Consumer Sentiment Prelim	95.7	97.9	98.5
Tuesday, Feb 14				
8:30AM	Jan Producer Prices (%)	+0.6	0.3	0.2
Wednesday, Feb 15				
8:30AM	Jan Retail sales mm (%)	+0.4	0.1	0.6
8:30AM	Jan CPI mm, sa (%)	+0.6	0.3	0.3
8:30AM	Jan Core CPI Year/Year (%)	+2.3	2.1	2.2
8:30AM	Feb NY Fed manufacturing	+18.7	7.00	6.50
9:15AM	Jan Industrial Production (%)	-0.3	0.0	0.8
9:15AM	Jan Capacity Utilization (%)	75.3	75.5	75.5
10:00AM	Dec Business inventories mm (%)	+0.4	0.4	0.7
10:00AM	Feb NAHB housing market indx	65	67	67
Thursday, Feb 16				
8:30AM	Jan Housing starts number mm (ml)	1.246	1.222	1.226
8:30AM	Jan Building permits: number (ml)	1.285	1.230	1.228
8:30AM	Feb Philly Fed Business Index	43.3	18.0	23.6
Tuesday, Apr 11				
1:00PM	10-yr Note Auction (bl)	20		
Wednesday, Apr 12				
1:00PM	30-Yr Bond Auction (bl)	12		

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

