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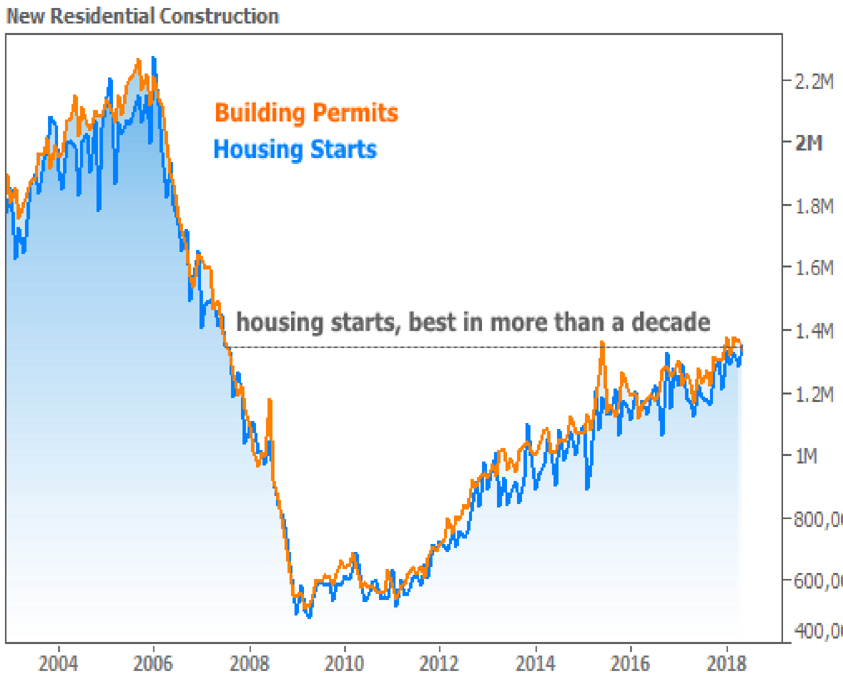
2 Very Different Ways to Look at Housing Numbers

This week was chock full of housing data ranging from construction and builder sentiment to the most recent tally on existing home sales. The takeaways can **vary** depending on your angle of approach. So let's look at all angles!

A key news item came from the New Residential Construction report, which counts building permits and "housing starts" (the breaking of ground on a new home). The headlines essentially wrote themselves as housing starts hit the highest level in **more than a decade**.



On the one hand, "highest in more than a decade" sounds impressive. **On the other hand**, considering where we were a decade ago, housing only needed to be "sideways to slightly stronger" to earn the distinction.

Caveats aside, things could certainly be much worse for home building, as can be seen in this week's Housing Market Index from the National Association of Home Builders. Although builder sentiment is down in recent months, it remains in historically high territory.

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

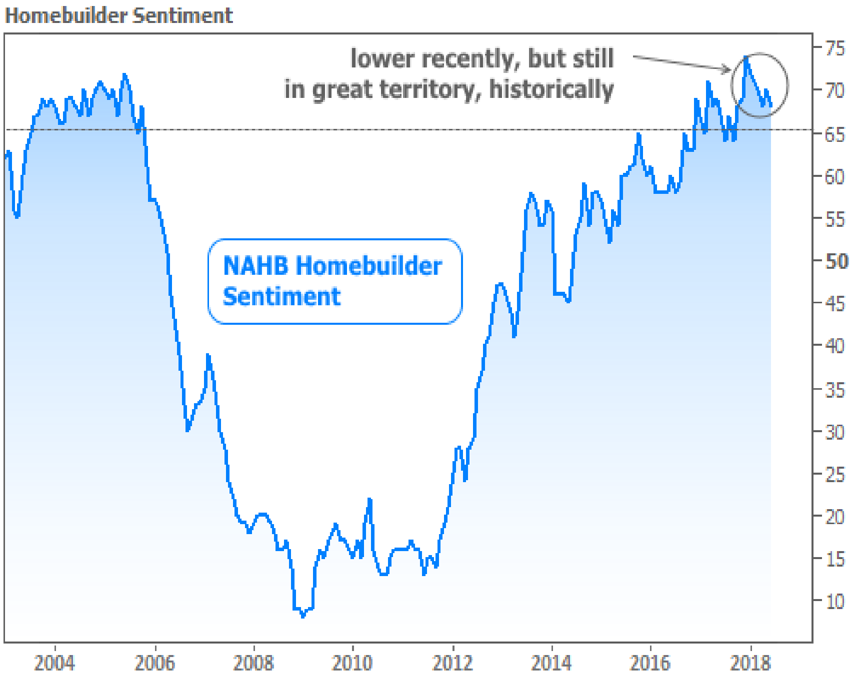
Market Data

	Price / Yield	Change
MBS UMBS 5.0	99.35	-0.16
MBS GNMA 5.0	99.91	-0.04
10 YR Treasury	3.9039	+0.0424
30 YR Treasury	4.1932	+0.0468

Pricing as of: 8/30 5:59PM EST

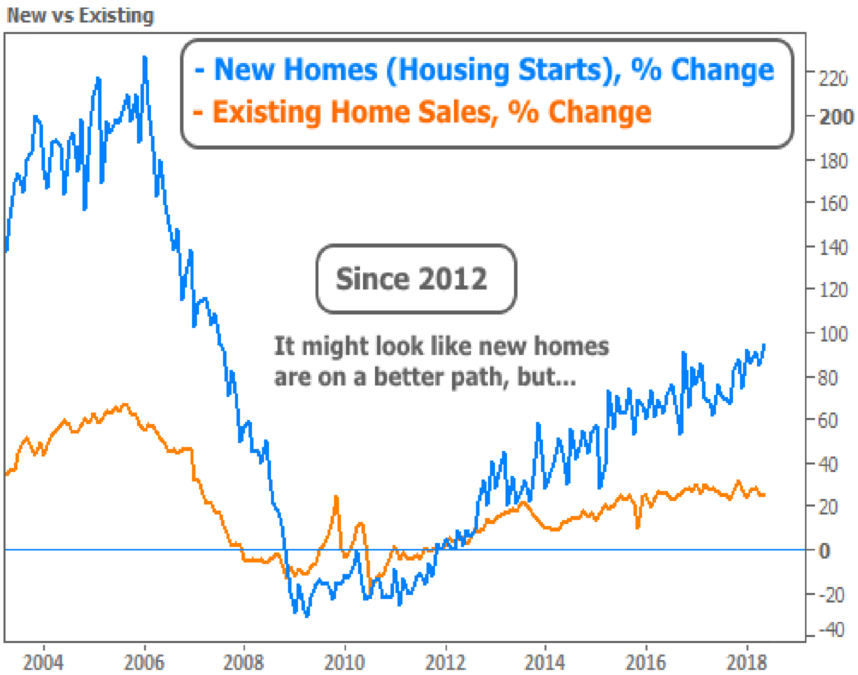
Recent Housing Data

		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%

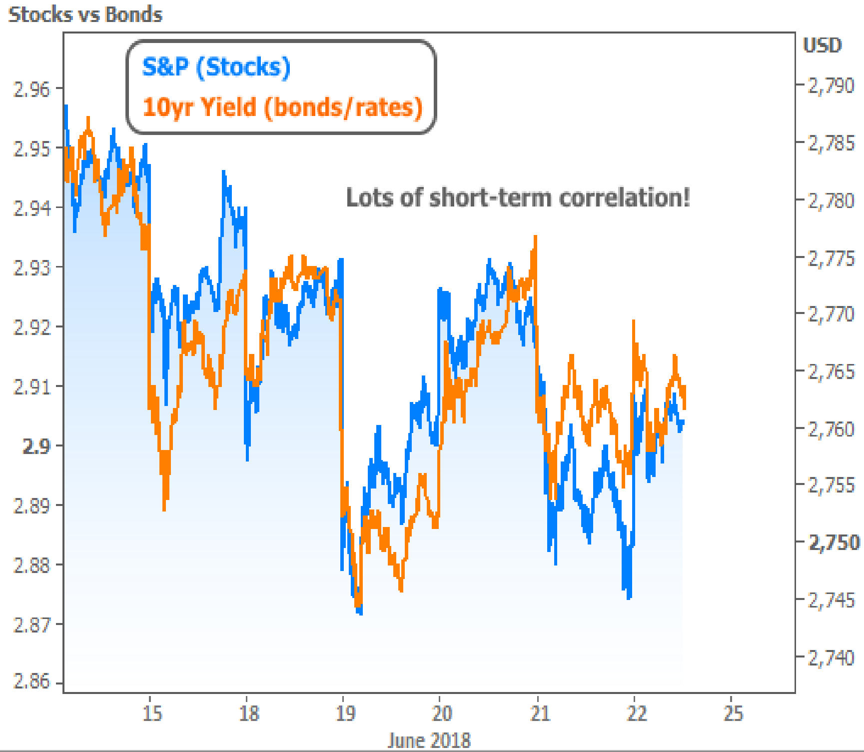


In separate data, the National Association of Realtors released its monthly report on Existing Homes. Sales continue trudging mostly sideways, **raising questions** about a potential ceiling.

Based on the chart above, it looks like existing home sales aren't doing as well as new construction. We can compare the two more fairly in terms of "percent change." Even then, we can get two different impressions. For instance, with 2012 as a baseline, NEW homes look like the clear winner. But with a baseline of 2006 (before the crisis), new homes just have more catching up to do.



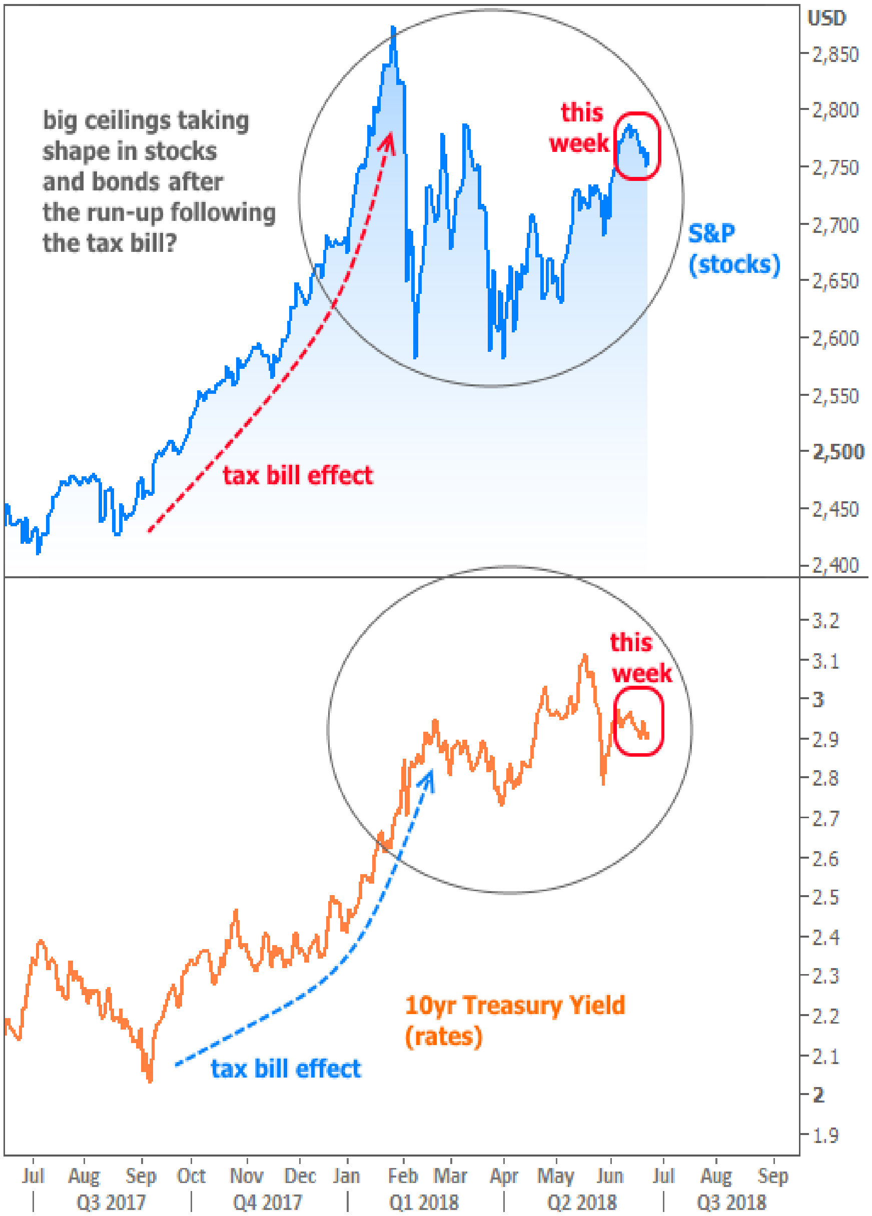
It's not just housing data that has a tendency to look completely different depending on our vantage point. **Stocks and bonds** are another classic example. Conventional wisdom holds that bond yields (aka "interest rates") and stocks tend to move in the same direction. That was definitely the case this week, as can be seen in the following chart. Over shorter time frames, such a high level of correlation is common, but the long-term charts look very different.



While that longer-term chart might seem like it **disproves** the conventional wisdom, it actually contains some clues. For instance, notice that rates (orange line) were generally rising and peaking at the same time as stocks in 2000 and 2007. If we were to zoom in on those time frames and re-scale the chart, we'd begin to see much more correlation.

Some of the market-watchers calling for a recession or a stock correction are seeing the same potential correlation over the past 12 months. It's definitely NOT safe to assume this means a ceiling is in for rates. Rather, the point is that if stocks really are hitting a longer-term ceiling in 2018, the consolation is that rates would likely follow stocks lower.

Stocks and Bonds



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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Monday, Jun 18				
10:00AM	Jun NAHB housing market indx	68	70	70
Tuesday, Jun 19				
8:30AM	May Housing starts number mm (ml)	1.350	1.310	1.287
8:30AM	May Building permits: number (ml)	1.301	1.350	1.364
8:30AM	May Build permits: change mm (%)	-4.6		-0.9
8:30AM	May House starts mm: change (%)	5.0		-3.7

Event Importance:

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

Date	Event	Actual	Forecast	Prior
Wednesday, Jun 20				
7:00AM	w/e MBA Purchase Index	259.6		249.0
7:00AM	w/e Mortgage Refinance Index	1052.3		992.2
10:00AM	May Existing home sales (ml)	5.43	5.52	5.46
Thursday, Jun 21				
8:30AM	Jun Philly Fed Business Index	19.9	29.0	34.4
8:30AM	w/e Jobless Claims (k)	218	220	218
Monday, Jun 25				
10:00AM	May New home sales chg mm (%)	+6.7	0.7	-1.5
10:00AM	May New home sales-units mm (ml)	0.689	0.667	0.662
Tuesday, Jun 26				
9:00AM	Apr CaseShiller 20 mm nsa (%)	0.8		1.0
10:00AM	Jun Consumer confidence	126.4	128.0	128.0
1:00PM	2-Yr Note Auction (bl)	34		
Wednesday, Jun 27				
7:00AM	w/e MBA Purchase Index	244.3		259.6
7:00AM	w/e Mortgage Refinance Index	1015.9		1052.3
8:30AM	May Durable goods (%)	-0.6	-1.0	-1.6
8:30AM	May Nondefense ex-air (%)	-0.2	0.5	1.0
10:00AM	May Pending Home Sales (%)	-0.5	0.5	-1.3
10:00AM	May Pending Sales Index	105.9		106.4
11:30AM	2-Yr Note Auction (bl)	16		
1:00PM	5-Yr Note Auction (bl)	36		
Thursday, Jun 28				
8:30AM	Q1 GDP Final (%)	+2.0	2.2	2.2
8:30AM	w/e Jobless Claims (k)	227	224	218
1:00PM	7-Yr Note Auction (bl)	30		
Friday, Jun 29				
8:30AM	May Personal Income (%)	+0.4	0.4	0.3
8:30AM	May Consumer Spending (Consumption) (%)	+0.2	0.4	0.6
8:30AM	May Core PCE (y/y) (%)	+2.0	1.9	1.8
9:45AM	Jun Chicago PMI	64.1	60.0	62.7
10:00AM	Jun U Mich 1Yr Inf Final (%)	3.0		2.9
10:00AM	Jun U Mich 5-Yr Inf Final (%)	2.6		2.6
10:00AM	Jun U Mich Sentiment Final (ip)	98.2	99.2	99.3

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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