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Rate Drama Stayed on Vacation After Long Weekend

For mortgage rates and broader financial markets beyond, the month of May has been **fraught with drama**. It began in late April after global rates markets had been holding a low, narrow range. At the time, European bond markets hadn't yet come down from the sugar rush fueled by the start of sovereign bond-buying in March. (That's Europe's version of the Fed's quantitative easing program, which purchased Treasuries and Mortgage-Backed-Securities).

European rates had **defied expectations** by continually pushing to new all-time lows day after day. There was so much momentum behind the move that it made little sense for traders to try to swim against the current. The excessive move also meant that markets were more than ready to move in the other direction when the time came.

And that brings us back to late April and early May. That was when the time came for traders to get off the **crazy tidal wave of lower rates**. They frantically swam in the other direction. It sounds a bit chaotic, but it was simply a loud version of a familiar tune.

The drama continued at least through the beginning of last week, with US interest rates still very close to the highs of the year. But from the middle of last week through the current week, things have **calmed down immensely**. In 10 short days, we've gone from the highest rates of the month to very near the lowest.

Traditionally, rate movements get their cues from economic data, but that's **just not the case** right now. While it's true that there are a few mild reactions to a few reports, they simply amount to noise. In the bigger picture, markets are trying to determine if the recent drama was merely an aftereffect of the impressive drop in rates over the past 16 months or if it was the first step in a massive reversal in global interest rate momentum. In other words, we need to know if drama was merely on vacation or if it's gone indefinitely.

Even though we just discussed the lower relative importance of economic data, the events coming up next week **are an exception**—especially Friday's big jobs report. But if drama is indeed returning from an extended vacation, we'll likely know it before Friday.

National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.27%	-0.02	0.00
15YR Fixed	6.92%	-0.03	0.00
30YR FHA	6.90%	-0.01	0.00
30YR Jumbo	7.55%	0.00	0.00
7/6 SOFR	6.78%	-0.10	0.00
30YR VA	6.91%	-0.01	0.00

Rates as of: 10/30

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	99.81	-0.01
10 YR Treasury	4.9125	-0.0174
30 YR Treasury	5.2783	-0.0299

Pricing as of: 11/2 8:25AM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Oct 21	195	+3.39%
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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Housing-Specific Updates

There were several **big developments** in housing news this week. On the financing side of the equation, the week's biggest news concerns changes made to **underwriting policies by Fannie Mae**. It had long been the case that any revolving credit accounts that had to be paid down in order to qualify ALSO had to be closed. In one way, this made sense because a borrower could simply run the balances back up after closing and have monthly bills that were higher than Fannie would have otherwise allowed. In another way, this was a silly policy that implied mistrust of borrowers and did real damage to their credit scores in the long run (given that a major component of one's credit score is the length of time an account has been established). With this week's changes, borrowers will no longer have to close those accounts!

The other big news this week was the surge in **Pending Home Sales**. NAR reported that their index, which tracks contract signings on existing homes, rose to its highest level since May 2006. Full Story

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Tuesday, Jun 09				
8:55AM	w/e Redbook yy (%)	1.2		1.7
10:00AM	Apr Wholesale inventories mm (%)	+0.4	0.2	0.1
Wednesday, Jun 10				
12:00AM	Roll Date - Fannie Mae 30YR, Freddie Mac 30YR			
7:00AM	w/e MBA Purchase Index	214.3		195.4
7:00AM	w/e Mortgage Market Index	400.5		369.5
7:00AM	w/e Mortgage Refinance Index	1455.2		1360.3
Thursday, Jun 11				
8:30AM	w/e Initial Jobless Claims (k)	279	276	276
8:30AM	w/e Continued jobless claims (ml)	2.265	2.225	2.196
8:30AM	May Export prices mm (%)	+0.6	0.2	-0.7
8:30AM	May Import prices mm (%)	+1.3	0.8	-0.3
8:30AM	May Retail sales mm (%)	+1.2	1.1	0.0
Wednesday, Jul 08				
1:00PM	10-yr Note Auction (bl)	21		
Thursday, Jul 09				
1:00PM	30-Yr Bond Auction (bl)	13		

Event Importance:

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

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The Arizona Loan Baron is at your service!

I would appreciate the opportunity to share with you my extensive mortgage lending experience. My client focused approach has allowed me to build long lasting relationships and partnerships throughout Arizona. I know this market. I live here and work here. Please allow me to be your mortgage lending partner.

Timothy Baron 

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