

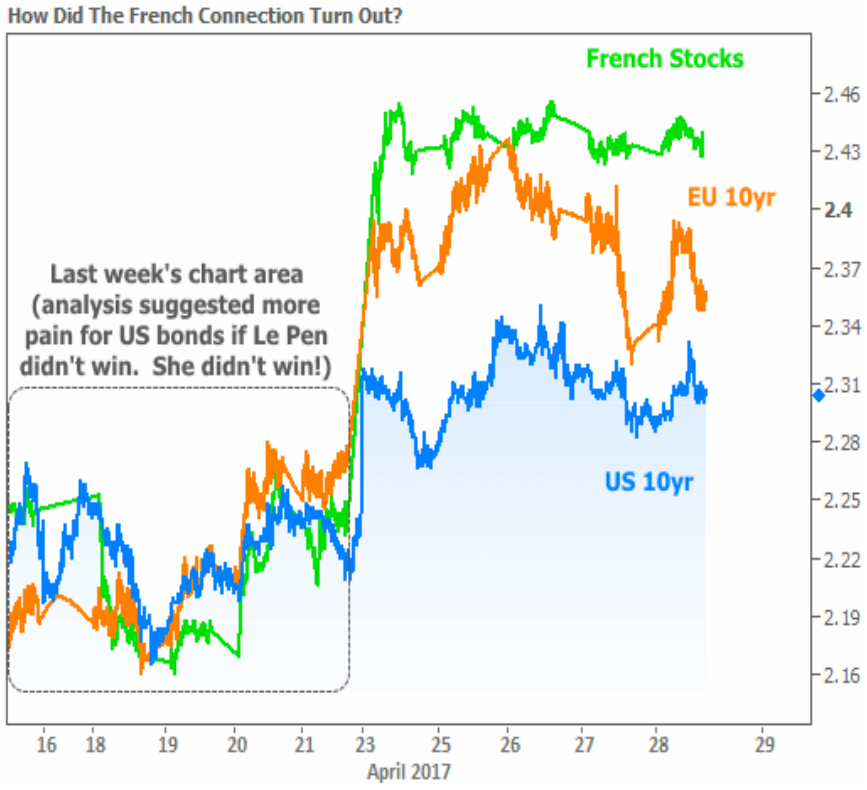
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Politics and Policy Put Markets Back on The Fence

Heading into last weekend, financial markets were eagerly awaiting French election results, as well as more info on the Trump administration's tax reform plan. While the market reaction wasn't much of a surprise, it leaves us in an **uncertain position** ahead of next week's Fed announcement.

The previous newsletter noted that markets were largely ready for Le Pen to fall short of an outright victory, but that the confirmation would be worth **some extra pain** for rates. The following chart shows how that pain played out.



At first glance, it's fair to derive some **optimism** from the fact that European markets (which pulled rates higher) were unable to move much higher this week. In other words, the green and orange lines in the chart above were generally flat after Monday's initial spike. But if we look at a longer-term comparison between US and EU rates, **caution** might be more appropriate than optimism.

National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.50%	-0.01	0.00
15YR Fixed	7.04%	0.00	0.00
30YR FHA	7.07%	-0.01	0.00
30YR Jumbo	7.52%	0.00	0.00
7/6 SOFR	7.12%	0.00	0.00
30YR VA	7.08%	-0.02	0.00

Rates as of: 11/17

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	98.85	+0.15
10 YR Treasury	5.1002	-0.0340
30 YR Treasury	5.4585	-0.0173

Pricing as of: 11/17 2:55PM EST

Recent Housing Data

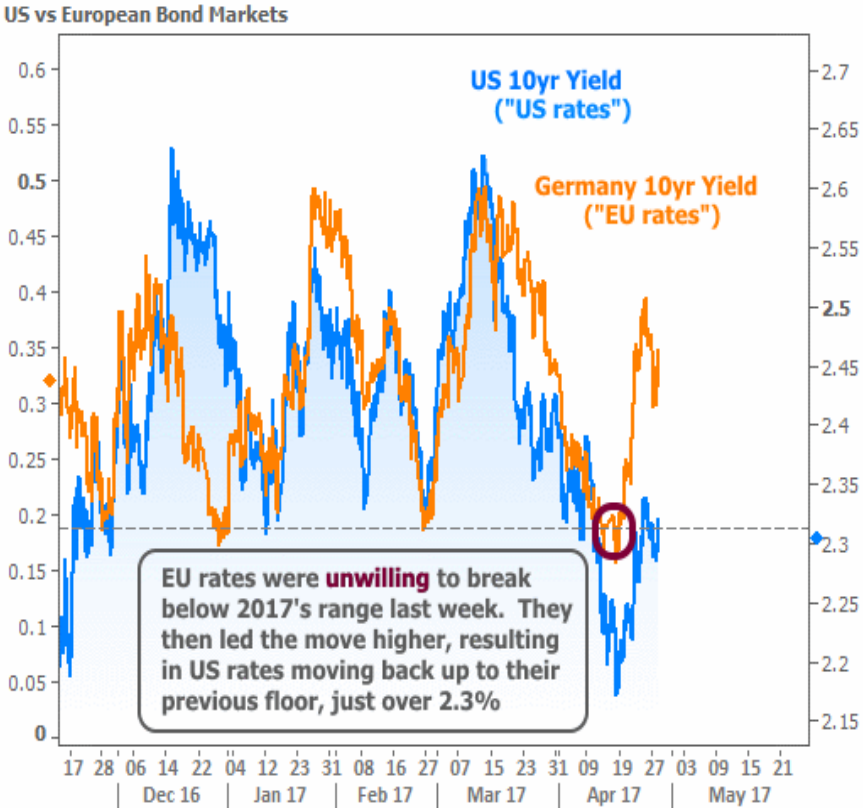
		Value	Change
Mortgage Apps	Nov 4	204.6	+6.23%
Building Permits	Sep	1.4M	+0.43%
Housing Starts	Sep	1.22M	-4.24%
New Home Sales	Sep	676K	-1.17%
Pending Home Sales	Aug	71.2	0%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Oct	29	-9.38%

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Whereas US rates were able to break below 2017's range, EU rates experienced a **definitive bounce**. The next chart shows US and German 10yr yields/rates (because Germany is the EU's biggest economy, its rates serve as the EU benchmark). If EU rates remain unwilling to break below the dotted line, it will be hard for US rates to make rapid progress.

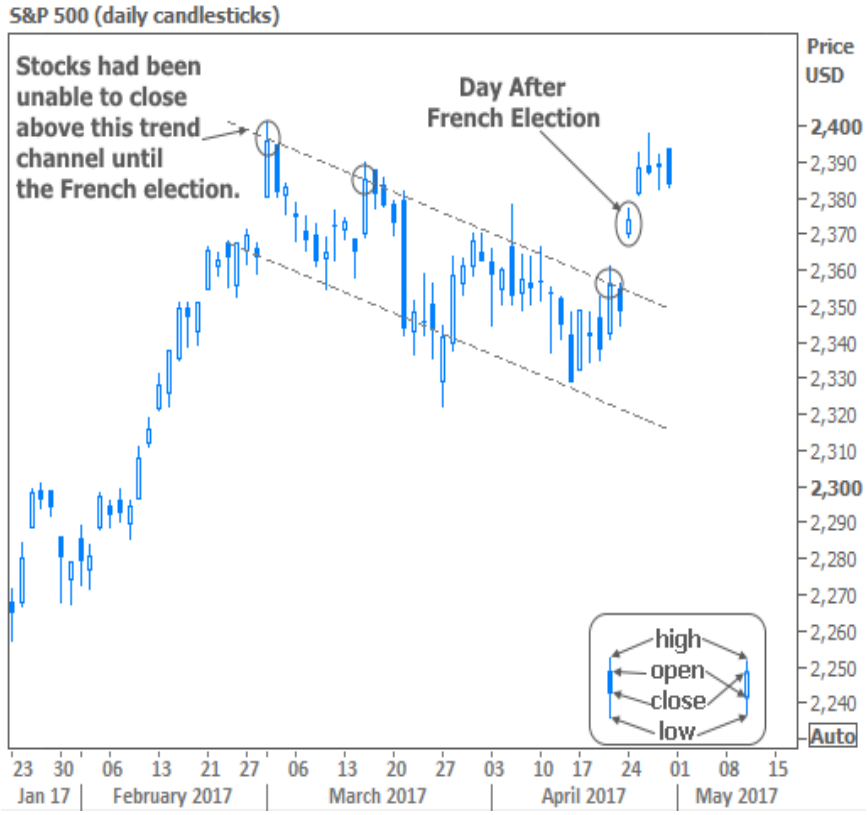


Of course, EU rates aren't the only consideration for US bond markets. The stock market also shifted in a way that might make things **tougher for bonds**. Stocks had been losing ground over the past 2 months--especially since the mid-March healthcare bill snafu. This week, however, they bounced higher, decisively breaking their trend of "lower highs" seen in the following chart.

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We might take the stock breakout with a **grain of salt** for a few reasons. First of all, it's earnings season, which often provides some extra levity. From a technical perspective, the S&P (the index of choice among traders) was **unable** to break above March 1st's all-time highs. If that ceiling remains intact, stock traders will increasingly think about checking out the lower side of the range. To whatever extent that happens, bond markets would reap some of the benefits of the money flowing out of stocks (more bond buying = lower rates).

For now though, bonds/rates are on the proverbial fence. Actually, it might be more appropriate to think of rates as being **"in between floors"** of the building that contains all rate movement. In terms of 10yr Treasury yields, 2.31% was a solid floor for months. Rates tore a hole in that floor and fell through in April, hitting the next floor of 2.17% before picking themselves up and deciding what to do next.

When rates tear holes in floors/ceilings, they often return to patch things up. That's where we are now (right around 2.30%). **The big question** is what side of the floor/ceiling we'll end up on after the repair is complete.

Next week's Fed announcement stands a good chance to be the deciding factor. Although the Fed is not expected to hike rates at this particular meeting, investors will be tuned in to any minor verbiage changes for clues as to June's rate hike probabilities. Of particular interest is whether or not the Fed makes any changes to its policy of **reinvesting** proceeds from its bond holdings back into bond markets (reinvestments are good for rates). We know this is coming, but we don't know when.

Housing-Specific News

For all of the uncertainty and anxiety in financial markets, housing data served as a bright spot this week. The Census Bureau reported a surge in March's New Home Sales, very nearly **matching the post-crisis high**. The more timely Pending Home Sales index lost some ground, but remains in great shape in the bigger picture--especially considering that "tight inventory" is the biggest limiting factor at the moment.

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The MBA's refi index responded to last week's lower rates and three of the major **home price reports** (Black Knight, FHFA, and CoreLogic) showed the expected cooling of home price appreciation has yet to arrive.

There was even good news in terms of underwriting guidelines as Fannie Mae released several updates aimed at making it **easier** for potential homeowners with **student loan debt** to qualify for mortgages.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Tuesday, Apr 25				
9:00AM	Feb CaseShiller 20 mm SA (%)	+0.7	0.8	0.9
9:00AM	Feb Monthly Home Price yy (%)	6.4		5.7
9:00AM	Feb CaseShiller 20 yy (%)	+5.9	5.7	5.7
10:00AM	Mar New home sales chg mm (%)	+5.8	-0.8	6.1
10:00AM	Mar New home sales-units mm (ml)	0.621	0.583	0.592
10:00AM	Apr Consumer confidence	120.3	122.5	125.6
1:00PM	2-Yr Note Auction (bl)		26	
Wednesday, Apr 26				
7:00AM	w/e Mortgage Market Index	406.2		395.6
7:00AM	w/e MBA Purchase Index	236.0		238.3
7:00AM	w/e Mortgage Refinance Index	1365.8		1274.5
1:00PM	5-Yr Note Auction (bl)	34		
Thursday, Apr 27				
8:30AM	Mar Durable goods (%)	+0.7	1.2	1.8
8:30AM	Mar Nondefense ex-air (%)	+0.2	0.5	-0.1
8:30AM	w/e Initial Jobless Claims (k)	257	247	244
8:30AM	w/e Continued jobless claims (ml)	1.988	2.000	1.979
10:00AM	Mar Pending sales change mm (%)	-0.8	-1.0	5.5
1:00PM	7-Yr Note Auction (bl)	28		
Friday, Apr 28				
8:30AM	Q1 Employment Wages qq (%)	+0.8		0.5
8:30AM	Q1 GDP Advance (%)	+0.7	1.2	2.1
9:45AM	Apr Chicago PMI	58.3	56.4	57.7
10:00AM	Apr U Mich Sentiment Final (ip)	97.0	98.0	98.0

Event Importance:

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

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We're here to help with all home mortgage needs.

With over 20 years of mortgage industry experience, Scott Kepler has helped thousands of families to purchase or refinance their homes. As a Mortgage Lender, Scott and his team are able to give families access to a variety of home loan options; after all, no two situations are the same.

Give Scott and his team a call today for a Free Mortgage Check-Up or Purchase Home Loan Pre-Qualification.

Offering financing for:
First Time Home Buyer
Conventional (Fannie Mae/Freddie Mac)
FHA
VA
USDA
Jumbo
Reverse
Renovation
Self Employed
Home Equity Loans/Lines of Credit
Credit Challenged / Alt-A
Investor or Second Home
Hard Money
Small Commercial

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