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Is Everything Already Changing in 2019?

It was a long December for the stock market, which had its **worst month** since the financial crisis (in terms of % change). Meanwhile, interest rates had their best month since June 2016.

The size and direction of those moves caused speculation about a **big reversal** at the beginning of 2019. In both cases, traders figured stocks and rates had moved so much lower so quickly that some sort of bounce was inevitable.

This line of thinking (i.e. that markets should bounce simply because they've moved "too far, too fast") speaks to an actual concept in market analysis. In a word, the concept is "momentum," but it's often discussed in the binary form of "**overbought**" vs "**oversold.**"

Simply put, the more any given financial market does one thing, the greater the risk becomes that it will do the opposite. The **big catch** here is that there's no hard and fast rule about the timing or the size of the bounce. In fact, sometimes the market even seems to punish a herd mentality that is hoping for such bounces for such simple reasons.

With all of the above in mind, this was destined to be a highly uncertain and potentially volatile week. Perhaps we would see stocks bounce more than they already had at the end of December. Perhaps we would see bonds ignore stocks and do their own thing, much like last week. Perhaps it would be Friday's slate of important events that would set the tone for the new year.

As it turned out, it was **all of the above**, at least for now. Bond markets (aka "rates") spent the first 2 days of 2019 doing their own thing, moving lower at a much quicker pace than stocks. Some of that movement was purely incidental, but a majority of the gains were driven by an exceptionally weak ISM Manufacturing report on Thursday morning. Then on Friday, an exceptionally strong jobs report coupled with a few choice remarks from Fed Chair Powell sent everything back in the other direction.

Stocks were less volatile by comparison. They responded modestly to the weak manufacturing data before ultimately edging up past last week's highs after Friday's events. In particular, they appreciated **Powell's comment** about the Fed being "sensitive to the message markets are sending." That's his way of acknowledging that heavy stock losses could actually affect Fed policy.

National Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.37%	-0.04	0.00
15 Yr. Fixed	6.82%	-0.02	0.00
30 Yr. FHA	6.82%	-0.06	0.00
30 Yr. Jumbo	7.55%	-0.05	0.00
5/1 ARM	7.42%	-0.08	0.00
Freddie Mac			
30 Yr. Fixed	7.22%	-0.22	0.00
15 Yr. Fixed	6.47%	-0.29	0.00

Rates as of: 5/2

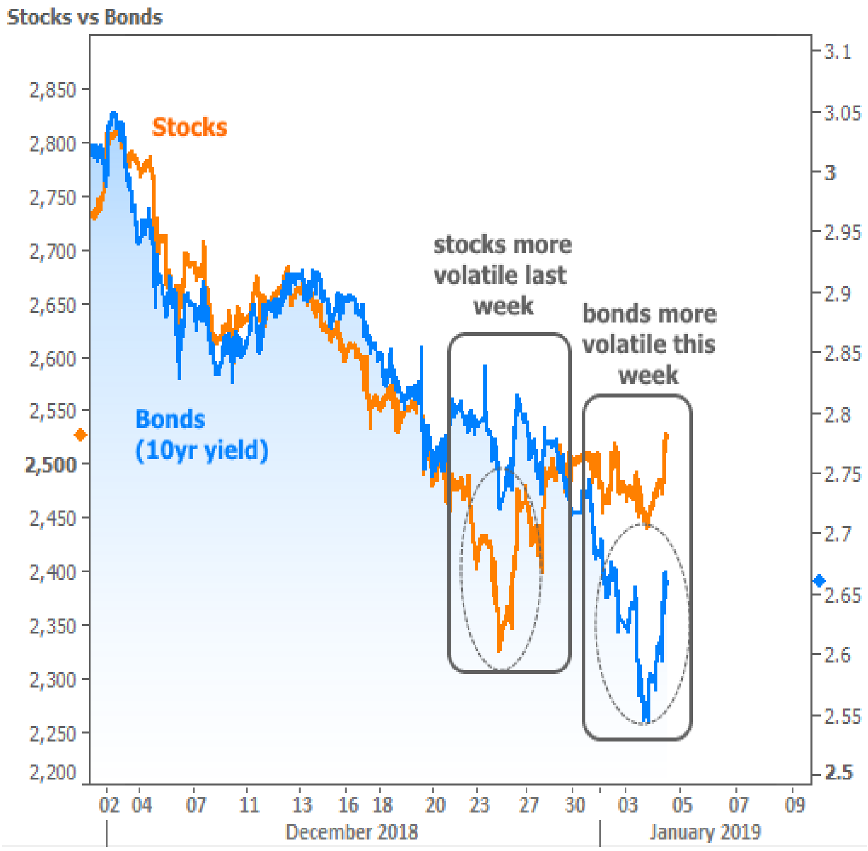
Market Data

	Price / Yield	Change
MBS UMBS 6.0	99.78	+0.32
MBS GNMA 6.0	100.74	+0.26
10 YR Treasury	4.5712	-0.0083
30 YR Treasury	4.7181	-0.0109

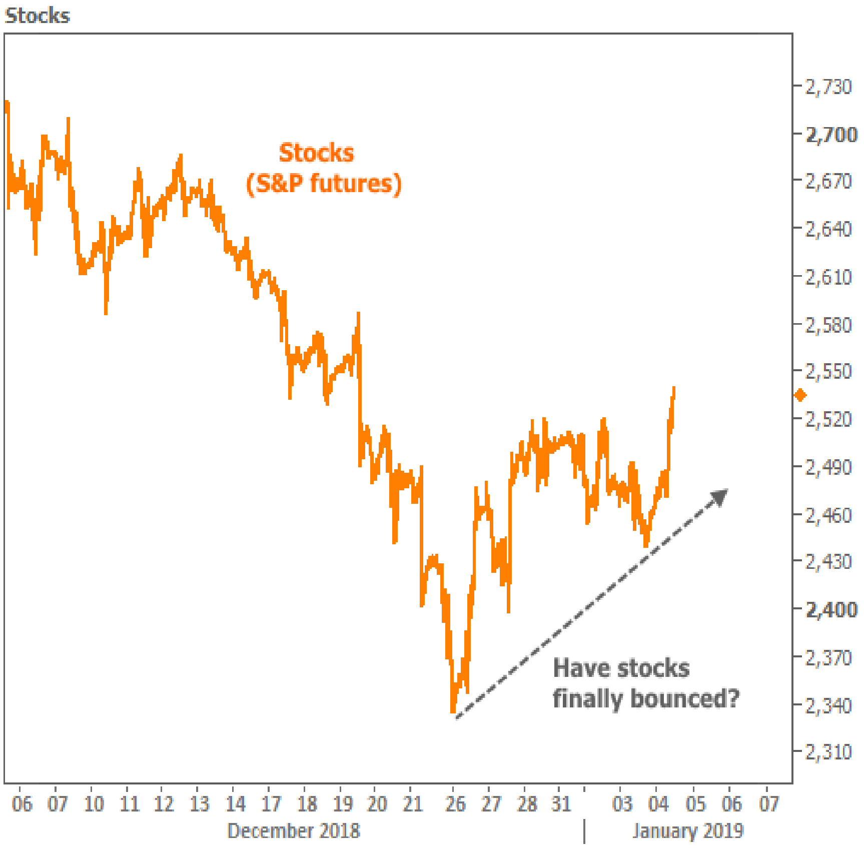
Pricing as of: 5/3 5:37AM EST

Recent Housing Data

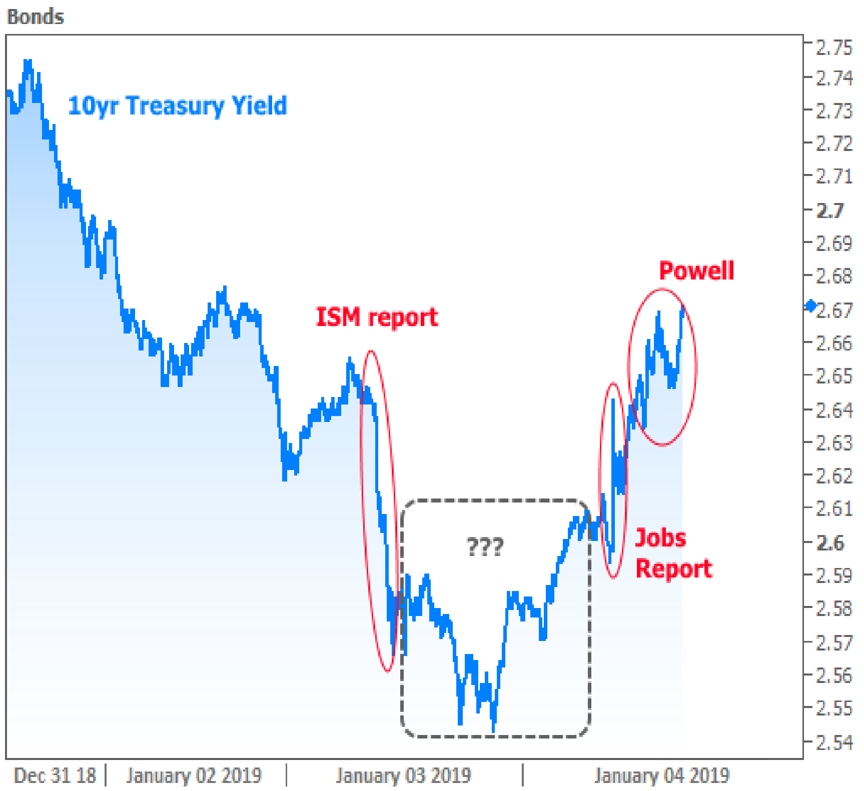
		Value	Change
Mortgage Apps	Apr 24	196.7	-2.67%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%
Builder Confidence	Mar	51	+6.25%



If we isolate stocks and bonds individually, we can better assess a potential momentum shift. With respect to stocks, if this bounce continues, it will have had **more** to do with late December and **less** to do with Friday's seemingly all-important calendar events.



A somewhat similar case could be made for bonds, although we'll need to zoom in and see the overnight trading between Thursday and Friday.

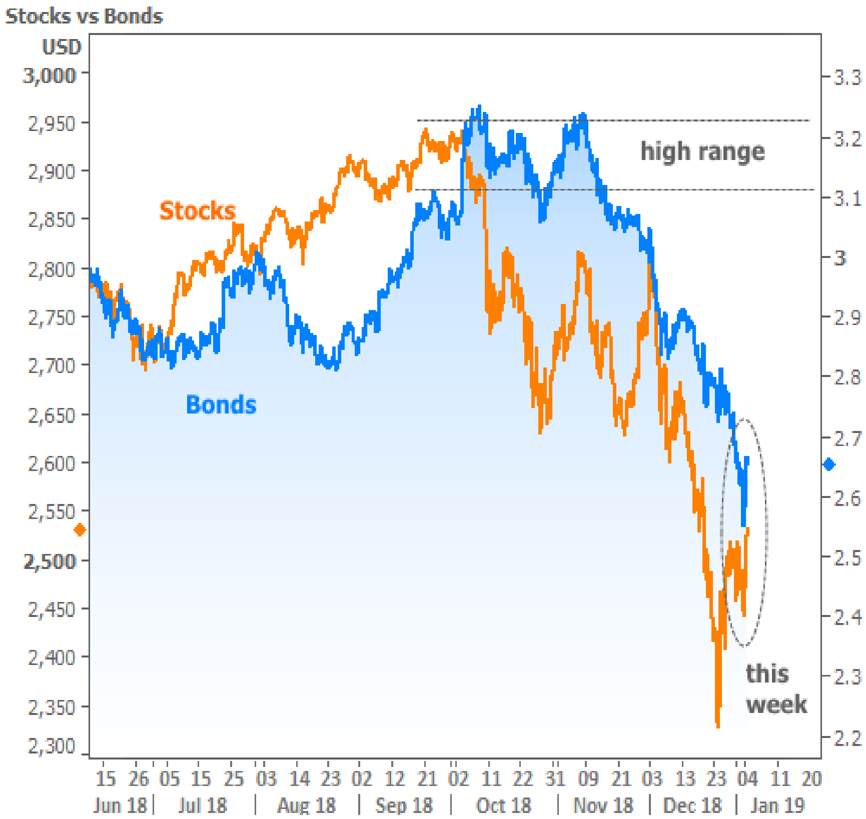


As the chart suggests, roughly half of this week's bounce in rates occurred during the "???" hours overnight, and **weren't** directly tied to any calendar events. This is momentum at work! It was finally the moment when traders agreed that rates had "fallen far enough" for now. The jobs report and Powell's speech merely added some emphasis to the bounce.

So, does this mean **everything is changing in 2019?**

First off, an entire year is a long time to be guessing at ongoing themes. Things could still change several times before 2019 is over. Secondly, it's **entirely too soon** to answer that question.

All we know now is that stocks and bonds agree that the risk of an early 2019 bounce (higher rates, higher stocks) remains on the table. Clearly, we've already seen some of it. It makes sense to defend against the possibility of even higher rates next week, but keep in mind that both sides of the market have a long way to go before they're anywhere close to the recent high range.



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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Thursday, Jan 03				
8:00AM	w/e Mortgage Refinance Index	729.9		816.0
8:00AM	w/e MBA Purchase Index	219.0		236.9
8:15AM	Dec ADP National Employment (k)	271.0	178	179
8:30AM	w/e Jobless Claims (k)	231	220	216
10:00AM	Nov Construction spending (%)		0.2	-0.1

Event Importance:

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

Date	Event	Actual	Forecast	Prior
10:00AM	Dec ISM Manufacturing PMI	54.1	57.9	59.3
Friday, Jan 04				
8:30AM	Dec Average earnings mm (%)	+0.4	0.3	0.2
8:30AM	Dec Non-farm payrolls (k)	+312	177	155
8:30AM	Dec Unemployment rate mm (%)	3.9	3.7	3.7
Monday, Jan 07				
10:00AM	Dec ISM N-Mfg PMI	57.6	59.0	60.7
10:00AM	Nov Factory orders mm (%)		0.3	-2.1
Tuesday, Jan 08				
1:00PM	3-Yr Note Auction (bl)	38		
Wednesday, Jan 09				
7:00AM	w/e Mortgage Refinance Index	987.9		729.9
7:00AM	w/e MBA Purchase Index	255.2		219.0
1:00PM	10-yr Note Auction (bl)	24		
Thursday, Jan 10				
8:30AM	w/e Jobless Claims (k)	216	220	231
10:00AM	Nov Wholesale inventories mm (%)		0.5	0.7
1:00PM	30-Yr Bond Auction (bl)	16		
Friday, Jan 11				
8:30AM	Dec Core CPI Year/Year (%)	2.2	2.2	2.2

Who is Mid Valley Financial?

Mid Valley Financial, located in Fresno, CA, is the Central Valley's premier destination for a wide range of residential and commercial real estate loans. Our commitment to excellence has made us a trusted partner for property buyers and investors seeking tailored financial solutions.

Why Choose Us:
With a track record spanning back to our inception in 1985, we have established ourselves as a reliable and innovative lender. We proudly serve properties exclusively within California, having funded loans in all 58 counties of the state. Our deep-rooted experience enables us to navigate complex loan scenarios with expertise and efficiency.

Our Approach:
At Mid Valley Financial, we prioritize your financial goals. Whether you're a first-time homebuyer, envisioning your dream property, refinancing an existing mortgage, or looking to tap into your property's equity, our seasoned loan officers offer a wealth of knowledge and over 300 years of collective experience. We ensure that your funds are prepared when you need them, providing a smooth and swift loan process.

Unlocking Possibilities:
As one of California's leading direct lenders, we've streamlined the loan process, minimizing obstacles that often deter borrowers. Many of our clients receive approvals within an hour, showcasing our dedication to quick and hassle-free solutions.

Your Journey with Us:
Contact the MVF team today and let us put your journey to property ownership on cruise control. Our mission is to empower borrowers while fostering enduring and meaningful relationships. With highly competitive rates, a commitment to transparency, and a dedication to your financial success, Mid Valley Financial is your partner in realizing your real estate aspirations.

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