



**Mid Valley Financial**

Mortgage Banker, Since 1985  
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## Scary Low Housing Numbers? Not Exactly

There's no question that some housing markets around the country are showing signs of cooling. Price reductions are starting to show up again after an extended absence, the average home is staying on the market a bit longer, and inventory is finally coming up from the lowest levels in decades.

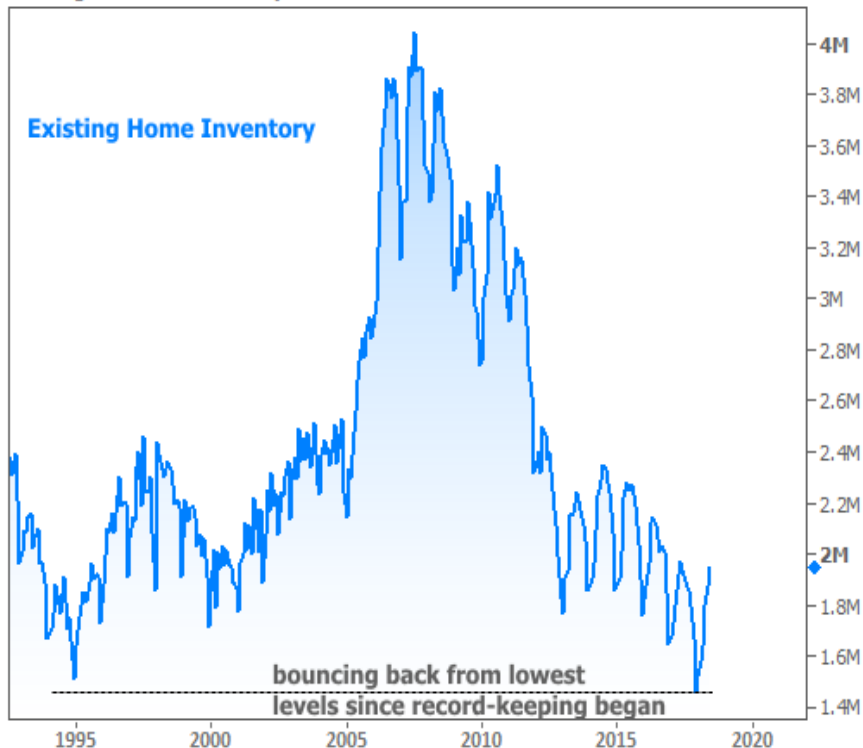
To top it all off, this week's new construction numbers unexpectedly **remained near 10-month lows**. Combine that with rising rates, an expected seasonal slowdown in sales, as well as uncertainty about how long the current economic expansion will last, and it's more than fair to wonder if the housing market is in trouble.

But before you panic, consider the following facts:

### INVENTORY

Yes, it's rising--especially for existing homes--but that's arguably a **GOOD** thing. Existing home inventory had been on an unsustainable path lower. The bounce reflects much-needed cooling of what had/has been a lopsided sellers' market.

Existing Homes -- Inventory



## National Average Mortgage Rates



	Rate	Change	Points
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### Mortgage News Daily

30 Yr. Fixed	6.89%	0.00	0.00
15 Yr. Fixed	6.33%	+0.01	0.00
30 Yr. FHA	6.33%	+0.01	0.00
30 Yr. Jumbo	7.05%	0.00	0.00
5/1 ARM	6.58%	0.00	0.00

### Freddie Mac

30 Yr. Fixed	6.77%	-0.09	0.00
15 Yr. Fixed	6.05%	-0.11	0.00

Rates as of: 7/22

## Market Data

	Price / Yield	Change
MBS UMBS 5.5	99.39	-0.01
MBS GNMA 5.5	99.78	+0.00
10 YR Treasury	4.2423	-0.0102
30 YR Treasury	4.4636	-0.0089

Pricing as of: 7/23 4:43AM EST

## Recent Housing Data

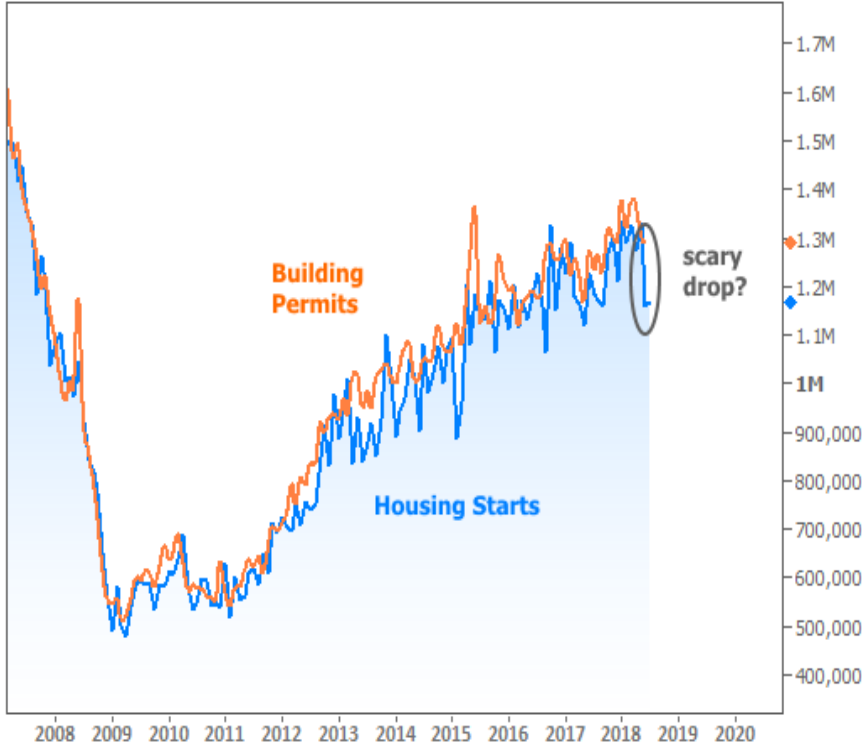
		Value	Change
Mortgage Apps	Jul 10	206.1	-0.19%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%
Builder Confidence	Mar	51	+6.25%

**THIS WEEK'S BIG DROP IN HOUSING STARTS**

Technically, there wasn't a big drop this week's (July's data). It was the last report (June's data) that had the big drop. This week's report simply kept housing starts at unexpectedly low levels (analysts were calling for a decent bounce).

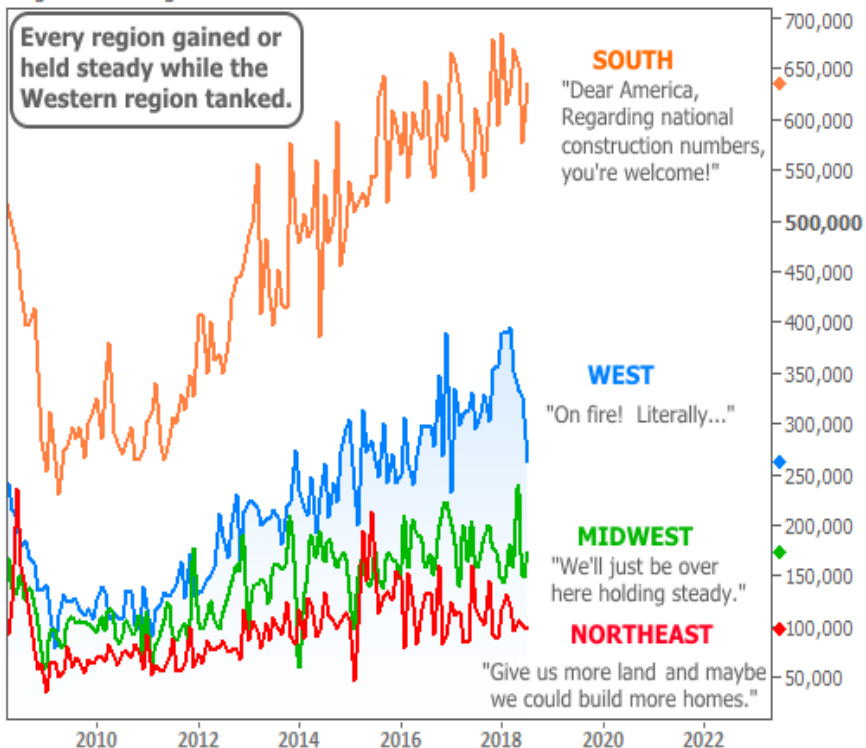
**What is a "housing start"** anyway? Think of it as the groundbreaking phase of home construction. Building permits come first and tend to be a bit less volatile. After all, a permit is mostly paperwork whereas groundbreaking depends on weather, labor, materials, etc. That occasionally results in construction numbers like those seen in the past 2 reports.

Housing Starts vs Building Permits



So **how do we know** if a big drop in housing starts can be chalked up to temporary variables? Many times, the easiest approach is to look at the numbers region by region. [Last time](#), wild weather and flash floods in the Midwest dragged the numbers down. This time, the Midwest bounced back while the Western region took a turn feeling the effects from extreme weather (drought, high temps, wildfires).

Regional Housing Starts

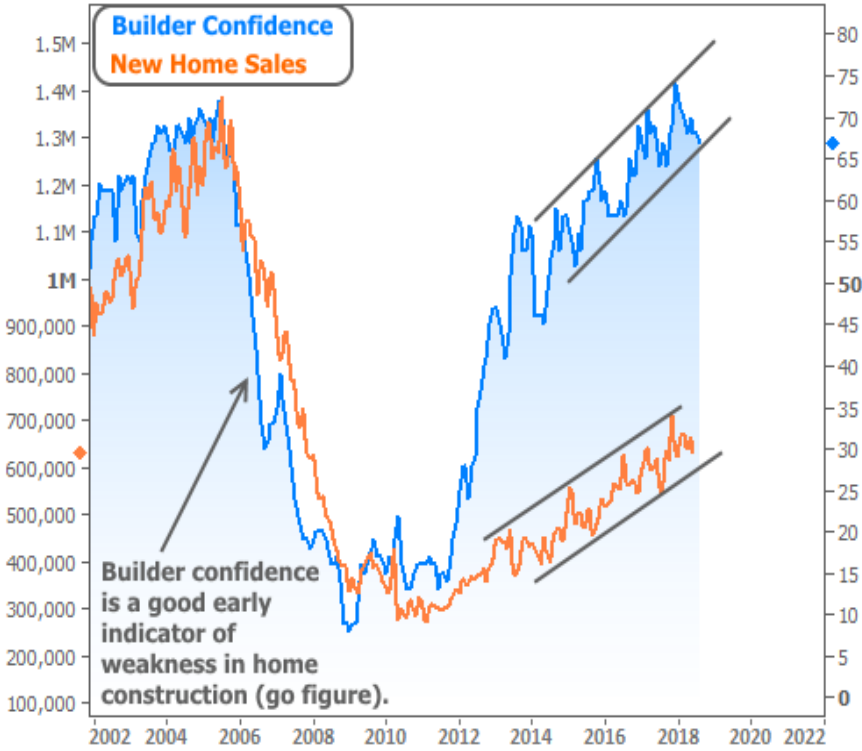


**BUILDER CONFIDENCE**

When we're pondering the fate the housing market, it's good to check in with builders. Confidence levels among builders are a **good early indicator** for new home sales. Incidentally, this week also brought the monthly builder confidence data, and while it's not skyrocketing back above recent long-term highs, it's definitely not painting the same picture as housing starts.

The following chart shows the persistent uptrend in builder confidence (via the NAHB's Housing Market Index) overlaid with New Home Sales (Census Bureau).

Builder Confidence vs New Home Sales

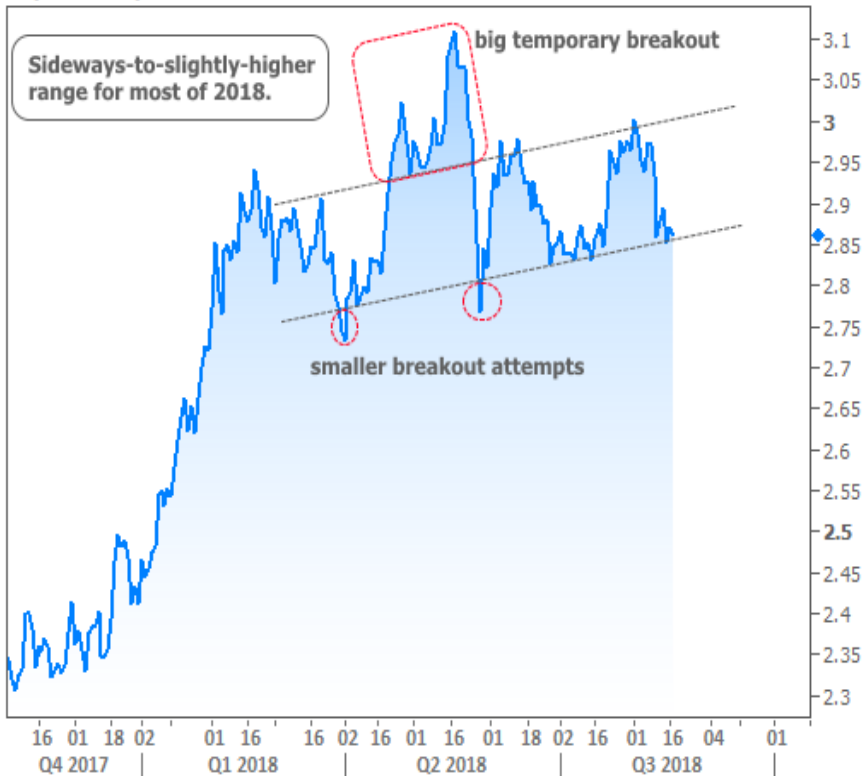


Bottom line: it's fair to discuss a 'leveling-off' in home sales. Certainly, the housing market isn't looking as invincible as it did a year or two ago. But that sort of invincibility isn't ideal. The pace of home price appreciation wasn't sustainable, and it still isn't. We're also seeing some of the effects of interest rates that have held near long-term highs fairly consistently.

**INTEREST RATES**

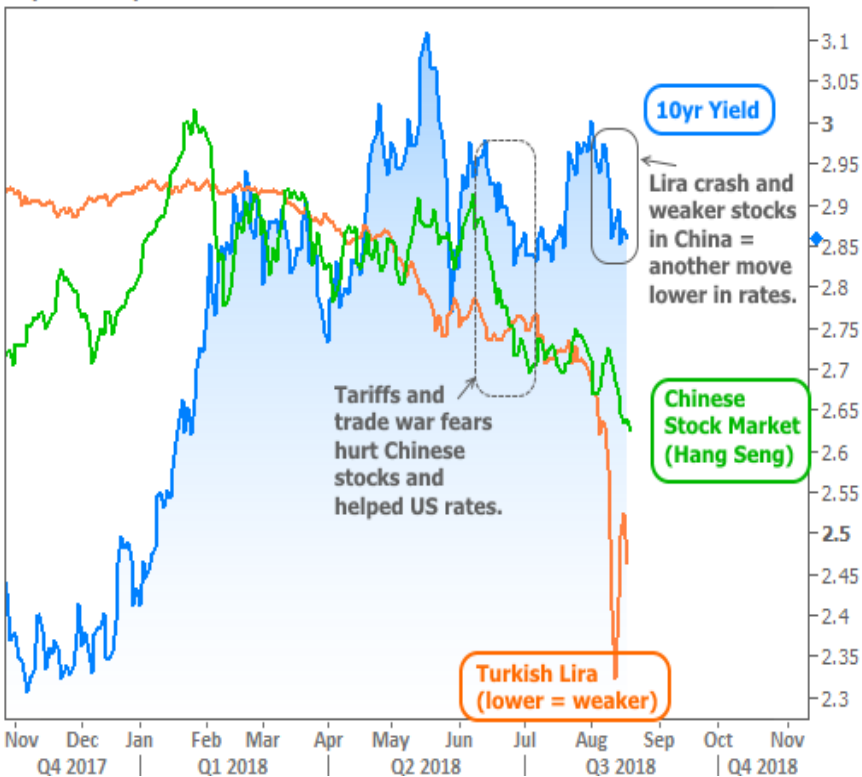
Rates have been doing fairly well over the past two weeks thanks to global economic jitters. But those jitters only add up to minor course corrections in the bigger picture. If we take a step back, we can see rates are moving sideways to slightly higher, despite a few attempts to break away from a fairly regular trend.

10yr Treasury Yield



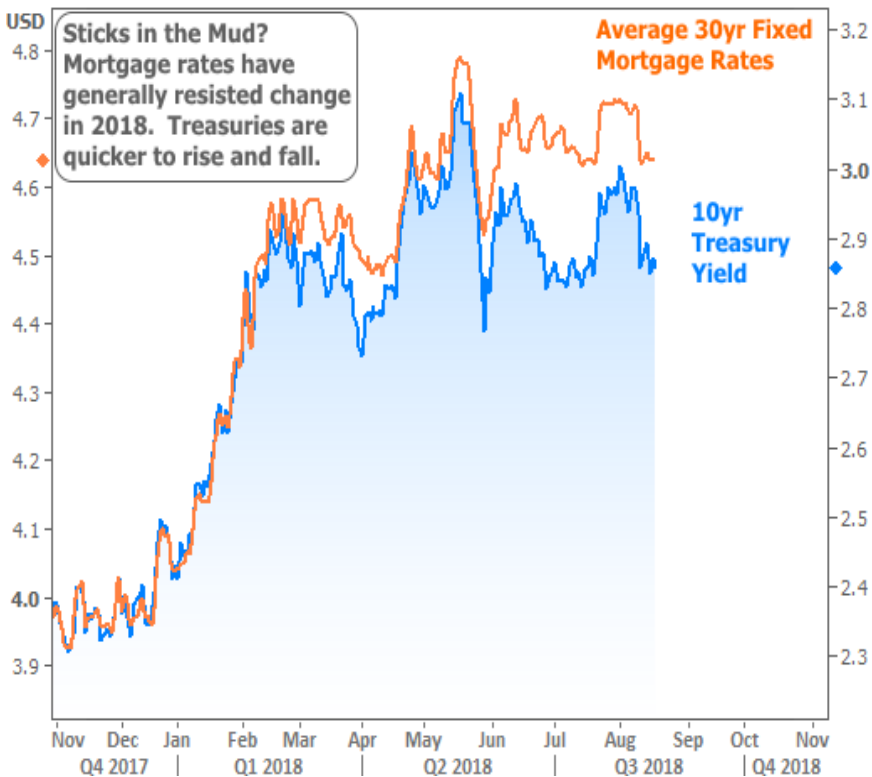
To put the global economic issues in perspective, consider that Turkish Lira and Chinese equities were two of this week's key stories. What happens if we overlay those indicators on the same chart of interest rates? If you look hard, there are a few examples of correlation, but Treasuries are definitely doing their own thing.

10yr Treasury Yield



Contrary to popular belief, mortgage rates aren't based on US Treasuries, though there is plenty of correlation. That means mortgage rates can also do their own thing at times. This is usually hard to spot, because they tend to move in lock-step with Treasuries, but if we look at them side by side, we can see mortgage rates have been more reluctant to return to February's levels compared to 10yr Treasury yields.

Treasuries vs Rates



This can eventually change, but until it does, sideways-to-higher rates aren't doing any favors for the housing market. Then again, that **could depend** on your definition of "favors." To whatever extent the housing market was too hot and needed to cool off a bit, mortgage rates near 7-year highs are happy to help.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
<b>Tuesday, Aug 14</b>				
8:30AM	Jul Import prices mm (%)	0.0	0.1	-0.4
8:30AM	Jul Export prices mm (%)	-0.5	0.2	0.3
<b>Wednesday, Aug 15</b>				
7:00AM	w/e MBA Purchase Index	225.5		233.1
7:00AM	w/e Mortgage Refinance Index	927.5		927.6
8:30AM	Jul Retail Sales (%)	0.5	0.1	0.5
8:30AM	Aug NY Fed Manufacturing	25.60	20.00	22.60
8:30AM	Q2 Productivity Preliminary (%)	2.9	2.3	0.4

Event Importance:

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

Date	Event	Actual	Forecast	Prior
8:30AM	Q2 Labor Costs Preliminary (%)	-0.9	0.3	2.9
9:15AM	Jul Industrial Production (%)	0.1	0.3	0.6
9:15AM	Jul Capacity Utilization (%)	78.1	78.2	78.0
10:00AM	Aug NAHB housing market indx	67	67	68
10:00AM	Jun Business Inventories (%)	0.1	0.1	0.4
<b>Thursday, Aug 16</b>				
8:30AM	Jul House starts mm: change (%)	0.9		-12.3
8:30AM	Jul Building permits: number (ml)	1.311	1.310	1.292
8:30AM	Jul Housing starts number mm (ml)	1.168	1.260	1.173
8:30AM	Jul Build permits: change mm (%)	1.5		-0.7
8:30AM	Aug Philly Fed Business Index	11.9	22.0	25.7
8:30AM	w/e Jobless Claims (k)	212	215	214
<b>Friday, Aug 17</b>				
10:00AM	Aug Consumer Sentiment	95.3	98.0	97.9
<b>Wednesday, Aug 22</b>				
7:00AM	w/e MBA Purchase Index	232.1		225.5
7:00AM	w/e Mortgage Refinance Index	982.7		927.5
10:00AM	Jul Existing home sales (ml)	5.34	5.40	5.38
10:00AM	Jul Exist. home sales % chg (%)	-0.7	0.6	-0.6
<b>Thursday, Aug 23</b>				
8:30AM	w/e Jobless Claims (k)	210	214	212
9:00AM	Jun Monthly Home Price yy (%)	6.5		6.4
<b>Friday, Aug 24</b>				
8:30AM	Jul Durable goods (%)	-1.7	-0.5	0.8
8:30AM	Jul Nondefense ex-air (%)	1.4	0.4	0.2

## 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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