



**Mid Valley Financial**

Mortgage Banker, Since 1985

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## How Coronavirus is Helping Housing

Although there were a few caveats, [last week](#) saw one of the biggest jumps in new home construction in more than decade. Now this week's data shows existing home sales at their highest in nearly 2 years, and close to highest in more than a decade. Is housing starting to boom again?

The following chart of existing sales helps put things in perspective. There were multiple months from 2016 through early 2018 where sales were similarly high, and several where they were higher. The **quickest conclusion** is that housing is merely getting back to where it was before after taking a year to cool-off a bit in 2018.



Things may not be that simple, however. December's inventory of homes for sale fell to a **record low** in the same report. And it's been near that level for 3 years running. To whatever extent an absence of inventory is constraining home sales, the housing market **could be even stronger** than the headlines suggest.

## National Average Mortgage Rates



|                            | Rate  | Change | Points |
|----------------------------|-------|--------|--------|
| <b>Mortgage News Daily</b> |       |        |        |
| 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   |
| <b>Freddie Mac</b>         |       |        |        |
| 30 Yr. Fixed               | 6.77% | -0.09  | 0.00   |
| 15 Yr. Fixed               | 6.05% | -0.11  | 0.00   |

Rates as of: 7/22

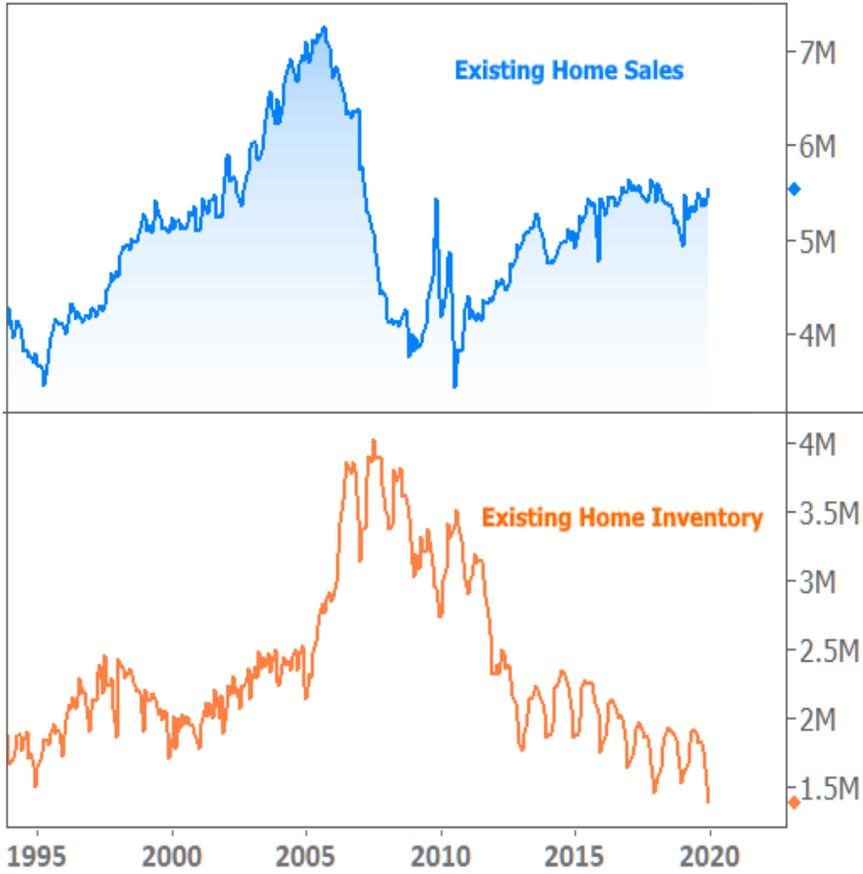
## Market Data

|                | Price / Yield | Change  |
|----------------|---------------|---------|
| MBS UMBS 5.5   | 99.39         | -0.01   |
| MBS GNMA 5.5   | 99.78         | +0.00   |
| 10 YR Treasury | 4.2364        | -0.0161 |
| 30 YR Treasury | 4.4542        | -0.0183 |

Pricing as of: 7/23 12:51AM 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%  |



There are several factors driving the strong home sales environment, but one factor that **always** matters is affordability. Given that the average home is financed, that makes mortgage rates a key factor in the health of the housing market.

Fortunately, rates are doing a great job of holding a steady range at levels that are not too far from all-time lows.



Rates take cues from inflation, the economy, Fed policy, government spending, and headline news among other things. Assigning credit for today's low rates or guessing where they're headed next would involve a qualitative debate. One thing every market participant can agree on this week, however, is that the **coronavirus outbreak** in China (aka Wuhan Virus or simply "nCov," which means it's a "novel" or previously unseen type of coronavirus) has been **clearly** connected to lower rate momentum in the short term.

For those who haven't taken a deep dive into the impact of the Ebola news cycle in 2014 or SARS in the early 2000's, this **might sound like a joke**. It's not. Relative to the amount of people killed by SARS, its impact on financial markets was rather extreme, with some pundits crediting it for pushing Hong Kong into a brief recession in mid-2003.

In terms of the impact on interest rates in the US, when the CDC finally announced that SARS was **contained**, it marked the bottom of a quick move to the lowest rates in a long time.



Fast forward to January 2020 and the evolution of the coronavirus news cycle is the **defining factor** in a rate reversal. This move began earlier in the month when the identification of the virus put an end to upward momentum in rates. It then kicked into higher gear mid-month when China confirmed it could spread among humans. Since then, every major update on incidence and mortality has coincided with another little bump toward lower rates.



Naturally, the whole world is hoping this outbreak is contained as quickly as possible. Until then, markets will continue accounting for the uncertainty by buying more bonds, and more bond buying means downward pressure on rates. Be aware (or even be "warned") that rates may bounce fairly quickly as soon as it looks like the tide is turning with respect to containment.

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**Recent Economic Data**

| Date                     | Event                            | Actual | Forecast | Prior  |
|--------------------------|----------------------------------|--------|----------|--------|
| <b>Wednesday, Jan 22</b> |                                  |        |          |        |
| 7:00AM                   | w/e MBA Purchase Index           | 297.8  |          | 303.9  |
| 7:00AM                   | w/e Mortgage Refinance Index     | 2401.5 |          | 2444.7 |
| 10:00AM                  | Dec Existing home sales (ml)     | 5.54   | 5.43     | 5.35   |
| 10:00AM                  | Dec Exist. home sales % chg (%)  | 3.6    | 1.3      | -1.7   |
| <b>Thursday, Jan 23</b>  |                                  |        |          |        |
| 8:30AM                   | w/e Jobless Claims (k)           | 211    | 211      | 204    |
| 10:00AM                  | Dec Leading index chg mm (%)     | -0.3   | -0.2     | 0.0    |
| <b>Friday, Jan 24</b>    |                                  |        |          |        |
| 9:45AM                   | Jan PMI-Services (Markit)        | 53.2   | 52.9     | 52.8   |
| 9:45AM                   | Jan PMI-Manufacturing (Markit)   | 51.7   | 52.5     | 52.4   |
| <b>Monday, Jan 27</b>    |                                  |        |          |        |
| 10:00AM                  | Dec New home sales chg mm (%)    | -0.4   | 1.5      | 1.3    |
| 10:00AM                  | Dec New home sales-units mm (ml) | 0.694  | 0.730    | 0.719  |

**Event Importance:**

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

| Date                     | Event                            | Actual        | Forecast | Prior  |
|--------------------------|----------------------------------|---------------|----------|--------|
| 11:30AM                  | 2-Yr Note Auction (bl)           | 40            |          |        |
| 1:00PM                   | 5-Yr Note Auction (bl)           | 41            |          |        |
| <b>Tuesday, Jan 28</b>   |                                  |               |          |        |
| 8:30AM                   | Dec Durable goods (%)            | 2.4           | 0.4      | -2.1   |
| 9:00AM                   | Nov CaseShiller 20 yy (%)        | +2.6          | 2.4      | 2.2    |
| 10:00AM                  | Jan Consumer confidence          | 131.6         | 128.0    | 126.5  |
| <b>Wednesday, Jan 29</b> |                                  |               |          |        |
| 7:00AM                   | w/e MBA Purchase Index           | 313.7         |          | 297.8  |
| 7:00AM                   | w/e Mortgage Refinance Index     | 2581.2        |          | 2401.5 |
| 10:00AM                  | Dec Pending Sales Index          | 103.2         |          | 108.5  |
| 10:00AM                  | Dec Pending Home Sales (%)       | -4.9          | 0.5      | 1.2    |
| 2:00PM                   | N/A FOMC rate decision (%)       | 1.500 - 1.750 | 1.625    | 1.625  |
| <b>Thursday, Jan 30</b>  |                                  |               |          |        |
| 8:30AM                   | Q4 GDP Advance (%)               | 2.1           | 2.1      | 2.1    |
| 8:30AM                   | w/e Jobless Claims (k)           | 216           | 215      | 211    |
| <b>Friday, Jan 31</b>    |                                  |               |          |        |
| 8:30AM                   | Dec Core PCE Inflation (y/y) (%) | +1.6          | 1.6      | 1.6    |
| 9:45AM                   | Jan Chicago PMI                  | 42.9          | 48.8     | 48.9   |
| 10:00AM                  | Jan Consumer Sentiment (ip)      | 99.8          | 99.1     | 99.1   |
| <b>Tuesday, Jan 25</b>   |                                  |               |          |        |
| 1:00PM                   | 7-Yr Note Auction (bl)           | 55            |          |        |

## 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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