



Mid Valley Financial

Mortgage Banker, Since 1985
 Broker CA DRE#01206057 | NMLS ID#219418
 7644 N. Palm Avenue Fresno, CA 93711

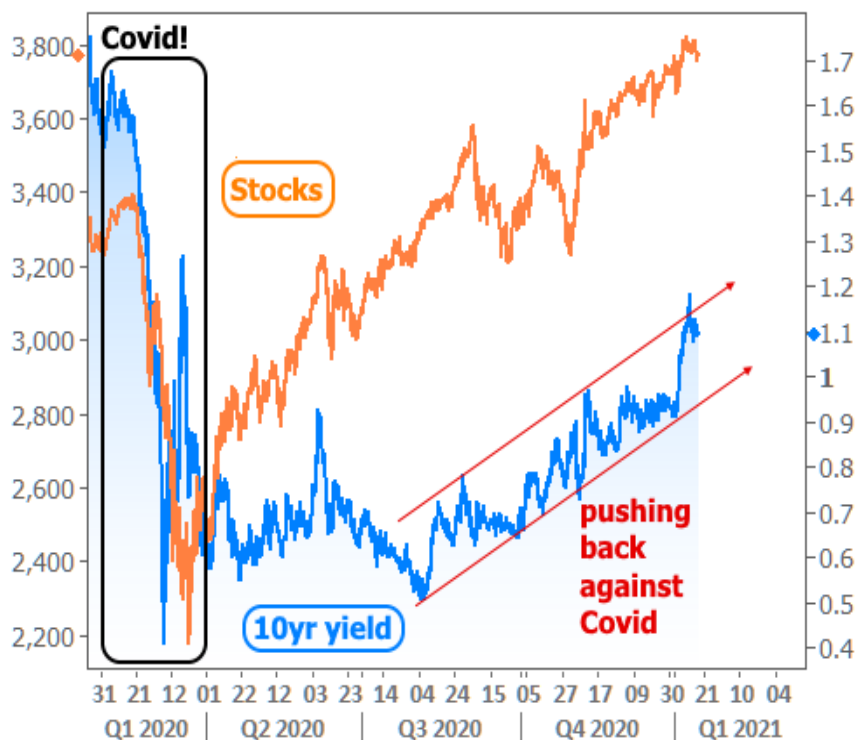
Office: (559) 432-8221
 Mobile: (559) 432-8221
 Fax: (559) 432-8298
info@mvloans.com
[View My Website](#)

Refi Demand Surges as Mortgage Volatility Comes Roaring Back

It was easy to get lulled into complacency by the second half of 2020 when it came to mortgage rates. Even as other indicators said rates should be rising, they continued on a calm journey to multiple record lows. 2021 has been very different so far!

Covid and its impacts on the economy remain the driving forces behind market trends. That's generally been great for rates, but it also means that rates should gradually rise as we battle back against covid. If the onset of the pandemic pushed rates to all-time lows, it's **only fair** that progress against the pandemic would result in rates moving up from all-time lows.

If you ask 10yr Treasury yields, that's been the case for quite a while.



And while the stock market has been singing a similar tune, the mortgage market has been in its own glorious world with rates seemingly **oblivious** to Treasury trends.

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	4.2272	-0.0107
30 YR Treasury	4.4598	-0.0127

Pricing as of: 7/22 10:50PM EST

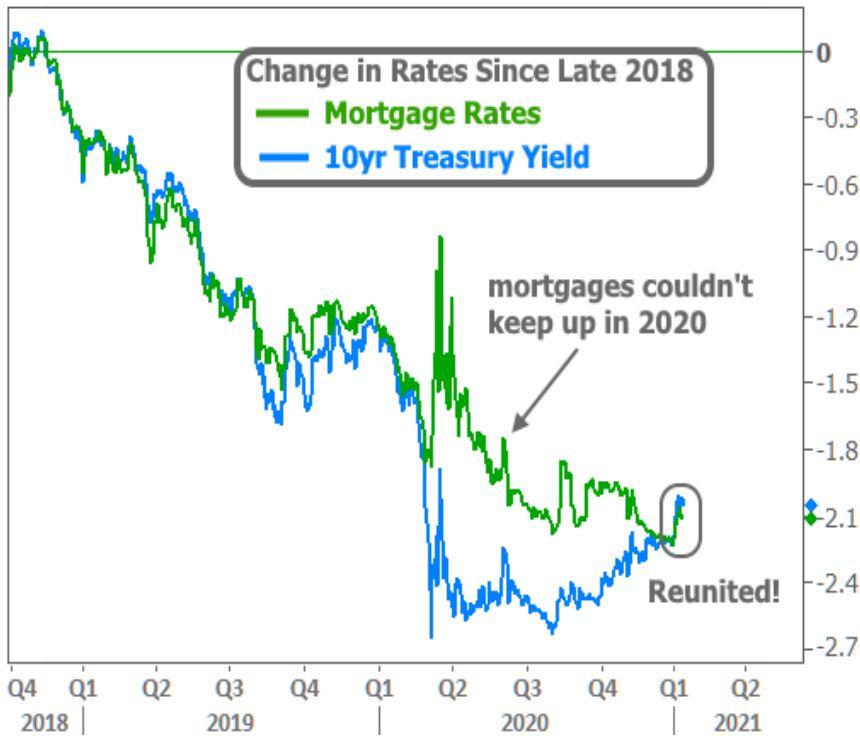
Recent Housing Data

		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%

Mortgage rates and Treasuries typically follow each other in near lock-step. There are notable exceptions, but none have been as pronounced as 2020. Mortgages simply couldn't keep up with Treasuries on the way down. That left them with a **cushion** to absorb virtually all of that "push back" seen in the chart above.

In other words, that cushion allowed mortgage rates to move sideways or lower for months, even as Treasury yields moved higher. We've **warned repeatedly** that this was increasingly likely to change. Last week, it finally did.

Although there's technically still some cushion left, it's now too small to soak up bigger instances of volatility in Treasuries.



As last week's newsletter discussed ([get caught up here](#)), the Georgia senate election resulted in one of the **sharpest interest rate spikes** of the past few years. Granted, that's a fairly low bar to clear when rates have been doing so well over that time, but it nonetheless raised concerns about where we may be going next.

When rates rise this quickly, traders are on the lookout for additional weakness (and an opportunity to find a ceiling). That was the first order of business this week. No one wanted to be the first to catch that falling knife (big moves like this can create momentum that lasts for days/weeks, and **traders can get burned** if they bet on a rebound too quickly), but risks began to subside on Tuesday afternoon after a strong 10yr Treasury auction. Bonds didn't panic again for the rest of the week, leaving the bigger-picture impression that the early 2021 rate spike has stabilized.



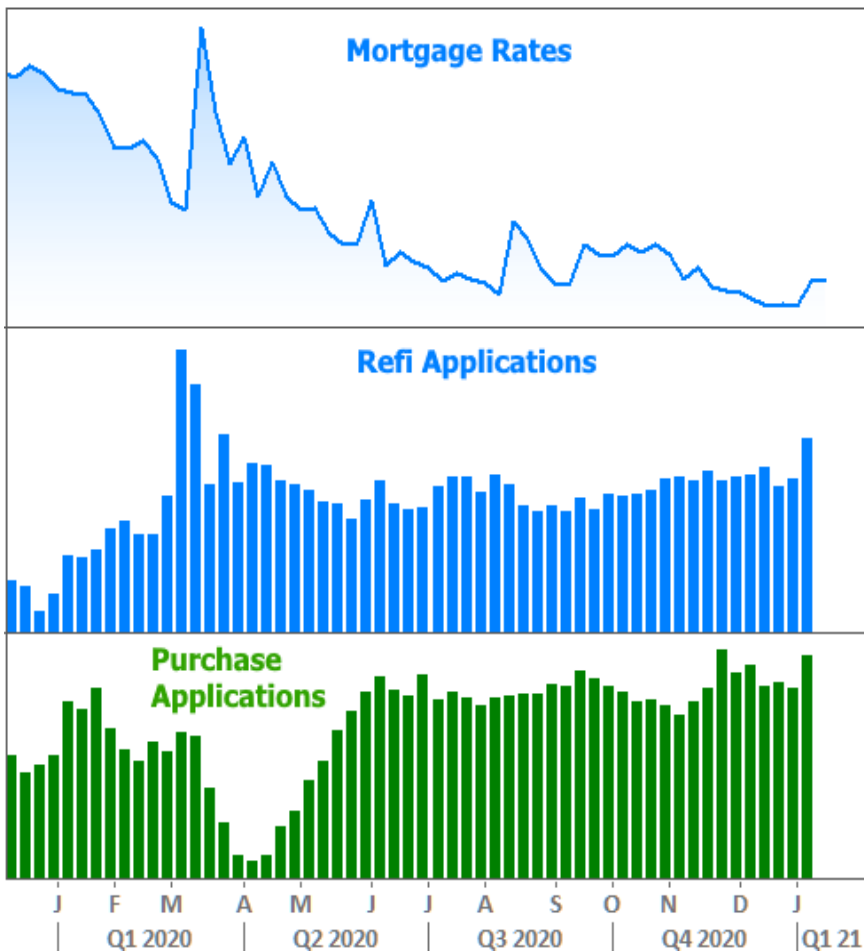
You may have seen other news headlines that suggest it was a **bad** week for mortgage rates. It wasn't. That was **LAST** week. The headlines in question are based on stale information. By Friday afternoon, the average lender was offering rates that were at least as low as those seen last Friday.

The issue has to do with a popular weekly rate survey from industry giant Freddie Mac. The survey does a fine job capturing broad strokes over time, but is severely limited when it comes to timely day-to-day changes. In short, the survey is just now capturing **LAST WEEK'S** rate spike. Here's how daily rates have been moving by comparison (note: the green line is a bit higher because it includes refinances. Freddie just asks loan officers for their "best" rate, and in this market, that's always purchases).

30yr Fixed Mortgage Rates



Speaking of purchases and refis, this week's mortgage application data was **very interesting**. While you might expect a big rate spike to dissuade refi demand (and generally speaking, you'd be right), last week's rate spike motivated homeowners to get off the fence. The count of refi applications was the highest it's been since the 2 best weeks at the start of the pandemic.



Next week brings additional housing market data starting on Wednesday with another look at mortgage applications and a new report on builder confidence. Additional construction and sales data will be reported on Thursday and Friday. Bonds (and most mortgage lenders) will be closed on Monday in observance of Martin Luther King Jr. Day.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Monday, Jan 11				
1:00PM	3-Yr Note Auction (bl)	58		
Tuesday, Jan 12				
1:00PM	10-yr Note Auction (bl)	38		
Wednesday, Jan 13				
7:00AM	w/e MBA Refi Index	4706.3		3917.6
7:00AM	w/e MBA Purchase Index	338.9		313.8
8:30AM	Dec Core CPI (Annual) (%)	1.6	1.6	1.6
1:00PM	30-Yr Bond Auction (bl)	24		
Thursday, Jan 14				

Event Importance:

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

Date	Event	Actual	Forecast	Prior
8:30AM	Dec Import prices mm (%)	0.9	0.7	0.1
8:30AM	Dec Export prices mm (%)	1.1	0.4	0.6
8:30AM	w/e Jobless Claims (k)	965	868	787
Friday, Jan 15				
8:30AM	Dec Core Producer Prices YY (%)	1.2	1.3	1.4
8:30AM	Dec Retail Sales (%)	-0.7	0.0	-1.1
8:30AM	Jan NY Fed Manufacturing	+3.5	6.00	4.90
9:15AM	Dec Industrial Production (%)	1.6	0.5	0.4
10:00AM	Jan Consumer Sentiment	79.2	80.0	80.7
10:00AM	Nov Business Inventories (%)	+0.5	0.5	0.7
Monday, Jan 18				
12:00AM	Martin Luther King Jr. Day			
Wednesday, Jan 20				
7:00AM	w/e MBA Purchase Index	348.2		338.9
7:00AM	w/e MBA Refi Index	4484.2		4706.3
10:00AM	Jan NAHB housing market indx	83	86	86
Thursday, Jan 21				
8:30AM	Dec House starts mm: change (%)	5.8		1.2
8:30AM	Dec Housing starts number mm (ml)	1.669	1.560	1.547
8:30AM	Dec Building permits: number (ml)	1.709	1.604	1.635
8:30AM	Dec Build permits: change mm (%)	4.5		5.9
Friday, Jan 22				
10:00AM	Dec Existing home sales (ml)	6.76	6.55	6.69
10:00AM	Dec Exist. home sales % chg (%)	+0.7	-2.0	-2.5

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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