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Who's Lying About The Spike in Mortgage Rates?

As recently as Thursday, news outlets were reporting mortgage rates had only risen modestly this week with 30yr fixed rates still well under 3.00%. In fact, they were **already** well over 3.00% by then.

So who's lying to you?

Perhaps no one! Thursday's news fell victim to the oldest trick in the mortgage rate reporting book. Well, it's not a **trick** so much as a **pitfall**, but it's surprisingly common given how easy it would be to avoid.

The issue centers on Freddie Mac's weekly mortgage rate survey. As the name suggests, this is an actual survey that's sent out to thousands of originators over the weekend. Responses are accepted through Wednesday, but a majority of responses are in by Monday morning. Results aren't released until Thursday.

This isn't a problem when rates remain relatively flat between Monday and Thursday, but it can cause **significant confusion** on more volatile weeks. After all, this is by far and away the most commonly cited source among news organizations that are used to posting one piece on mortgage rates each week.

As you might have guessed, this was one of those more volatile weeks. In fact, on Thursday, rates jumped at the **fastest** single-day pace since March. Not a great day for a weekly mortgage rate survey to be released... Rates ended up roughly a quarter of a point higher than Freddie's number, and that's a **big** move in the mortgage world.

National Average Mortgage Rates

	Rate	Change	Points
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

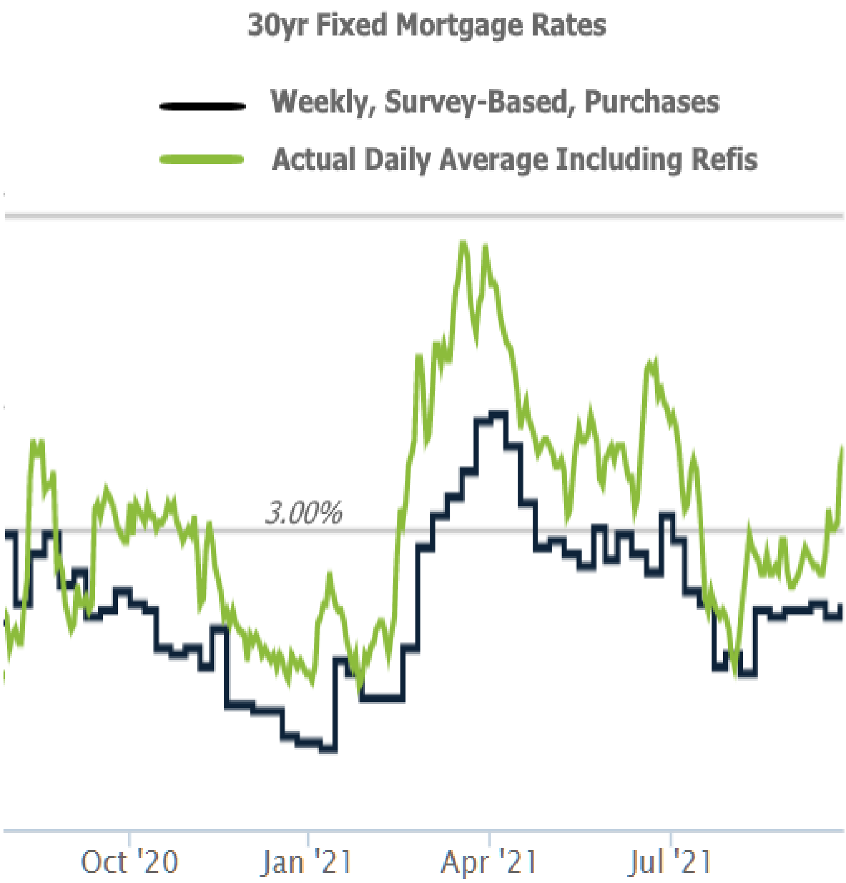
Market Data

	Price / Yield	Change
MBS UMBS 5.5	99.39	-0.01
MBS GNMA 5.5	99.78	+0.00
10 YR Treasury	4.2228	-0.0151
30 YR Treasury	4.4631	-0.0094

Pricing as of: 7/22 8:56PM EST

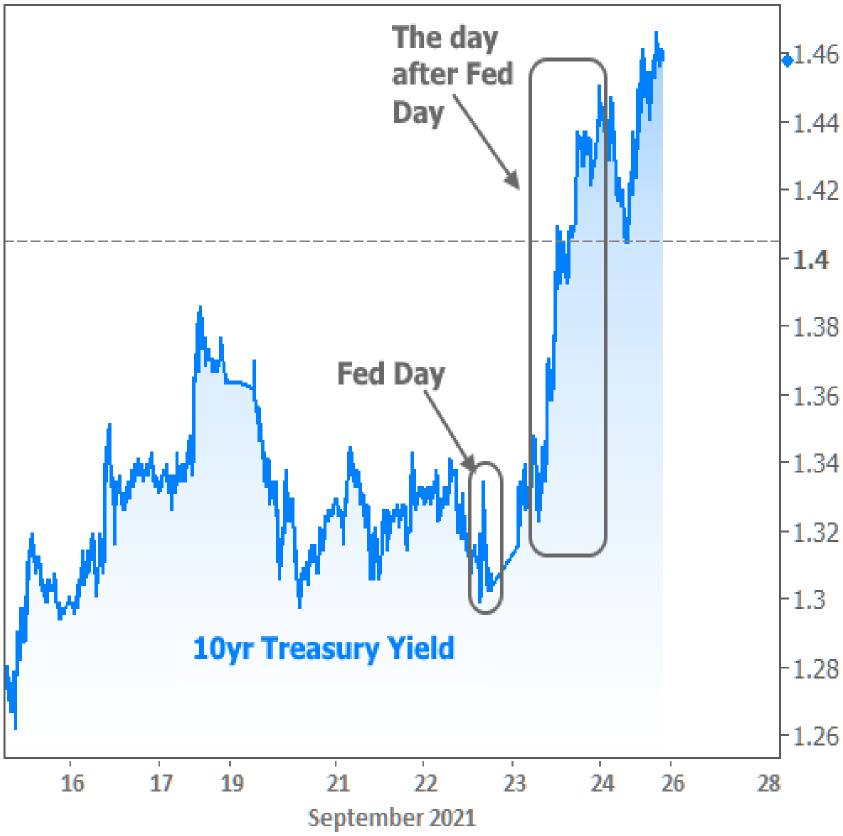
Recent Housing Data

		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%



Given the proximity to Wednesday's policy announcement from the Federal Reserve (aka "the Fed"), it's tempting to conclude the Fed said something to **spook** the market. If that were truly the case, we likely would have seen a bigger reaction on Wednesday itself.

Instead, bonds went wild on the **following** morning, as seen in the 10yr yield below. Mortgage rates only change once or twice a day, typically. We can use 10yr Treasury yields to observe the moment-to-moment changes in the bond market as the 10yr tends to correlate very well with mortgage rates.



This begs the question: **what happened on Thursday?**

As unsatisfying as it may be, Thursday's drama transcended a single, massive source of inspiration. The **team effort** didn't even have a clear leader, but players include:

- Gradual global reaction to Wednesday's Fed Announcement
- Foreign central banks releasing policies or comments that were bad for rates
- Foreign bond markets losing lots of ground
- Stocks at home and abroad gaining lots of ground
- Lower "contagion" fears surrounding China's Evergrande
- "Technical" triggers (more on that below)

Technical analysis is a form of market analysis that relies on charts, math, and key levels to inform trading strategy. It exists in contrast to fundamental analysis which focuses on what's actually happening in the economy.

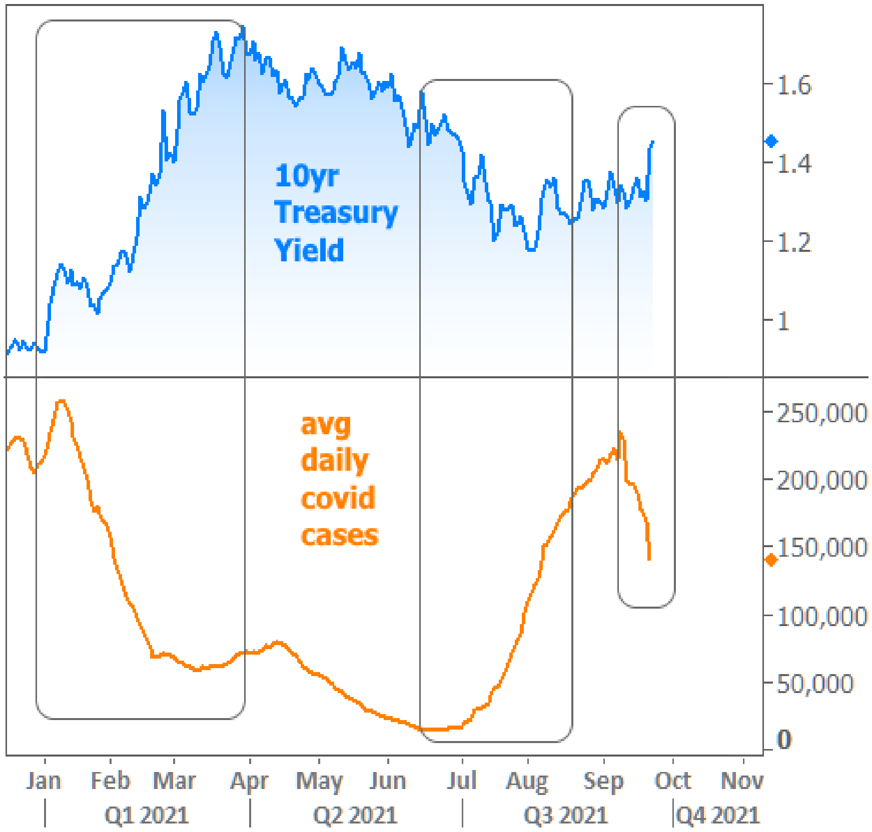
The most basic technical analysis is a line on a chart. Lines can be horizontal to mark key levels where rates have tended to bounce in the past, or they can be drawn along a series of low/high points to track a **trend**. Then when rates break outside one of the lines, traders will either buy or sell depending on their strategy and existing trading positions.

If this is starting to sound familiar, we talked about it quite a bit 2 weeks ago in the newsletter titled "Rate Reckoning Draws Closer" and again in last week's newsletter. By then, rates were already starting to drift higher, but they hadn't yet broken the consolidation range we'd been tracking (NOTE: the following chart is from LAST week).

And **here's how things look now:**

Technicals aside, if we could only choose one impetus for the bond market, covid has ruled all since March 2020. The short-term importance of covid numbers has varied, but traders have been **waiting for late September** for a variety of reasons (far enough into new school year, far enough away from Labor Day testing distortion, and right in line with an important update from the Federal reserve).

In fact, the Fed had previously called out late September for the same reasons. The implication was that if rising case counts were subsiding by late September, the Fed would be that much more likely to curtail (or "**taper**") its rate-friendly bond buying programs.



If the chart above makes it seem like this week's rate spike was fairly benign in the bigger picture, that's because it is. Sure, it's unpleasant, but we were clearly higher earlier this year. Moreover, at any time before covid, current rates would have been **all-time lows**.

The **risk for rates** is that covid and econ data contribute to an ongoing trend toward higher levels. It's still far too soon to throw around terms like "rising rate environment," (a term that implies months if not years of gradually higher rates) but we definitely just shifted gears into a rising rate trend.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Monday, Sep 20				
10:00AM	Sep NAHB housing market indx	76	74	75
Tuesday, Sep 21				
8:30AM	Aug House starts mm: change (%)	+3.9		-7.0
8:30AM	Aug Housing starts number mm (ml)	1.615	1.555	1.534
8:30AM	Aug Building permits: number (ml)	1.728	1.600	1.630
8:30AM	Aug Build permits: change mm (%)	6.0		2.3
Wednesday, Sep 22				
7:00AM	w/e MBA Purchase Index	283.9		277.9
7:00AM	w/e MBA Refi Index	3391.1		3185.6
10:00AM	Aug Existing home sales (ml)	5.88	5.89	5.99
10:00AM	Aug Exist. home sales % chg (%)	-2.0		2.0
10:30AM	w/e Crude Oil Inventory (ml)	-3.481	-2.440	-6.422
2:00PM	N/A FOMC rate decision (%)	0 - 0.25	0.125	0.125
2:30PM	Fed Press Conference			

Event Importance:

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

Date	Event	Actual	Forecast	Prior
Thursday, Sep 23				
8:30AM	w/e Jobless Claims (k)	351	320	332
9:45AM	Sep Markit Composite PMI	54.5	58.3	55.4
Friday, Sep 24				
10:00AM	Aug New Home Sales (%) (%)	+1.5		1.0
10:00AM	Aug New Home Sales (ml)	0.740	0.714	0.708
Monday, Sep 27				
8:30AM	Aug Durable goods (%)	1.8	0.7	-0.1
11:30AM	2-Yr Note Auction (bl)	60		
1:00PM	5-Yr Note Auction (bl)	61		
Tuesday, Sep 28				
9:00AM	Jul CaseShiller 20 yy (%)	+19.9	20.0	19.1
9:00AM	Jul Monthly Home Price yy (%)	19.2		18.8
10:00AM	Sep Consumer confidence	109.3	114.5	113.8
1:00PM	7-Yr Note Auction (bl)	62		
Wednesday, Sep 29				
7:00AM	w/e MBA Purchase Index	280.4		283.9
7:00AM	w/e MBA Refi Index	3359.5		3391.1
10:00AM	Aug Pending Home Sales (%)	+8.1	1.4	-1.8
10:00AM	Aug Pending Sales Index	119.5		110.7
Thursday, Sep 30				
8:30AM	Q2 GDP Final (%)	6.7	6.6	6.6
9:45AM	Sep Chicago PMI	64.7	65.0	66.8
Friday, Oct 01				
8:30AM	Aug Core PCE Inflation (y/y) (%)	3.6	3.6	3.6
10:00AM	Sep ISM Manufacturing PMI	61.1	59.6	59.9
10:00AM	Sep Consumer Sentiment (ip)	72.8	71.0	71.0
10:00AM	Sep Sentiment: 1y Inflation (%)	4.6		4.7
10:00AM	Sep Sentiment: 5y Inflation (%)	3.0		2.9
10:00AM	Aug Construction spending (%)	0.0	0.3	0.3

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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