



**Mid Valley Financial**

Mortgage Banker, Since 1985

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## Winter is Coming, But That's Good For Rates

Winter is coming, both literally and figuratively. While the fallout remains to be seen, financial markets are already reacting.

In the literal sense, colder ambient temperatures are generally correlated with increased covid case counts. The following chart shows per capita covid hot spots juxtaposed with a low temp map from 2 weeks prior.

### 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

#### 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

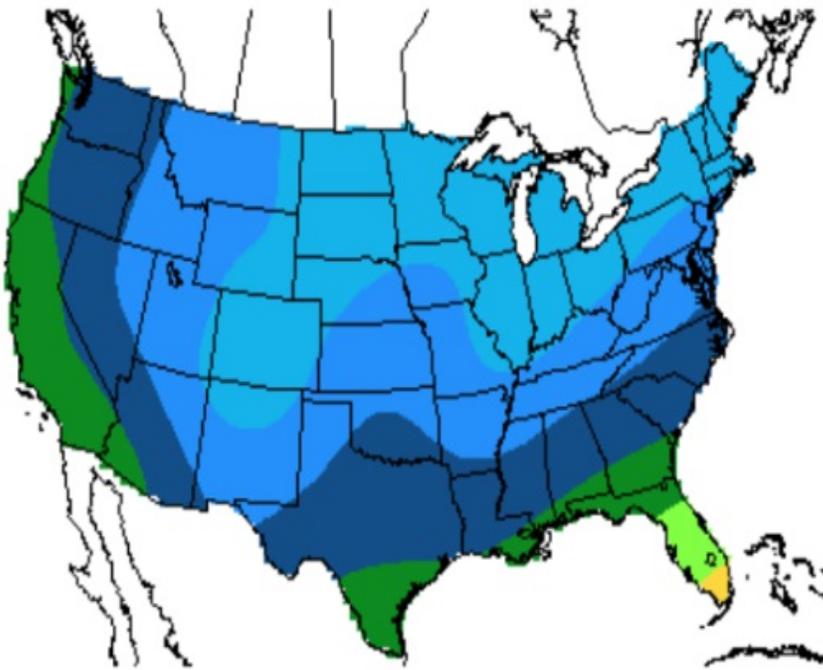
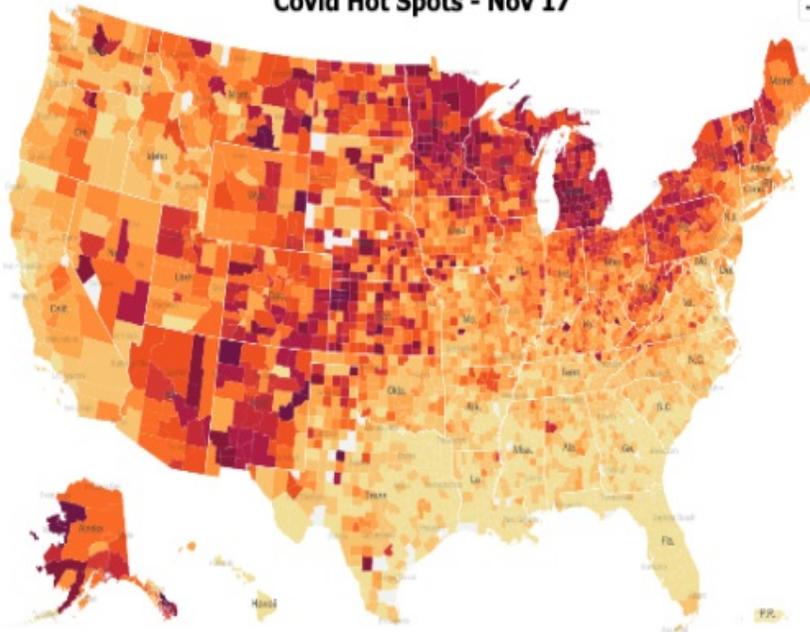
	Price / Yield	Change
MBS UMBS 5.5	99.39	-0.01
MBS GNMA 5.5	99.78	+0.00
10 YR Treasury	4.2423	-0.0102
30 YR Treasury	4.4622	-0.0103

Pricing as of: 7/22 8:57PM 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%

Covid Hot Spots - Nov 17

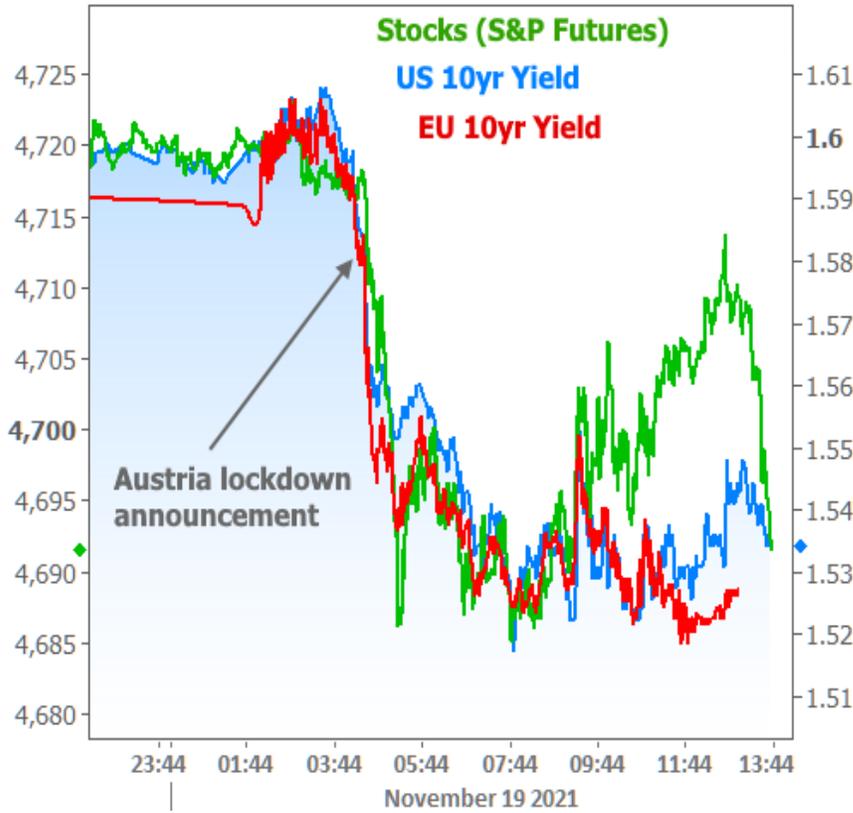


Low Temps 2 weeks prior

source: NYT and NOAA

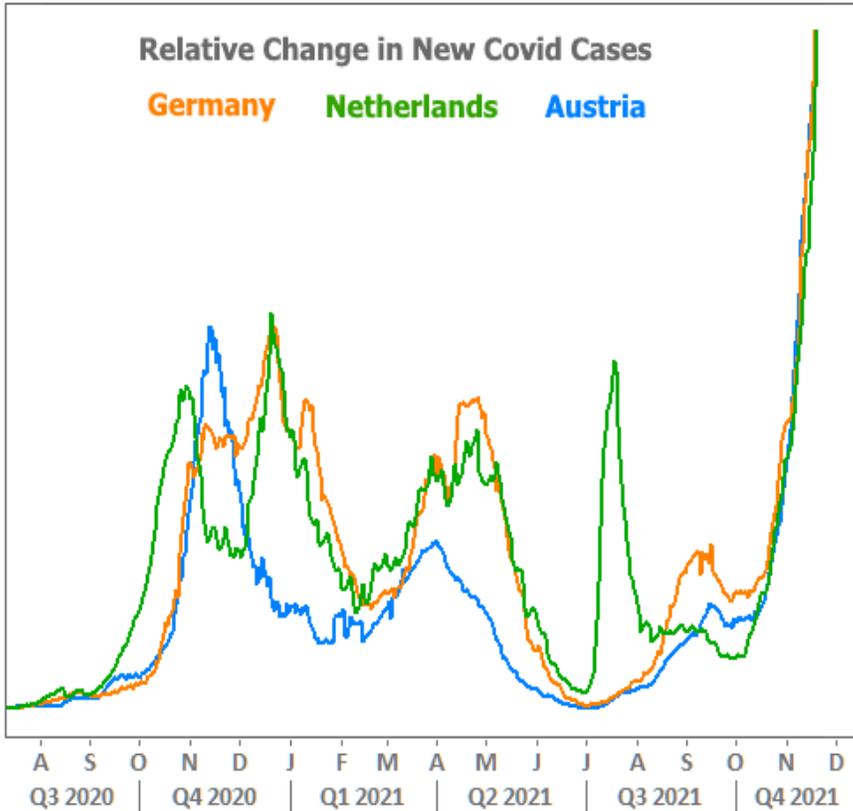
Market participants aren't necessarily epidemiologists, but the correlation is simple enough for the average trader to act upon. In this sense, the market is pricing in the metaphorical winter of a slower global economy due to covid-related lockdowns (or other measures that inhibit the free flow of business).

The latest example arrived at the end of the week as Austria announced new lockdown measures and vaccine mandates. Here's how the market reacted:

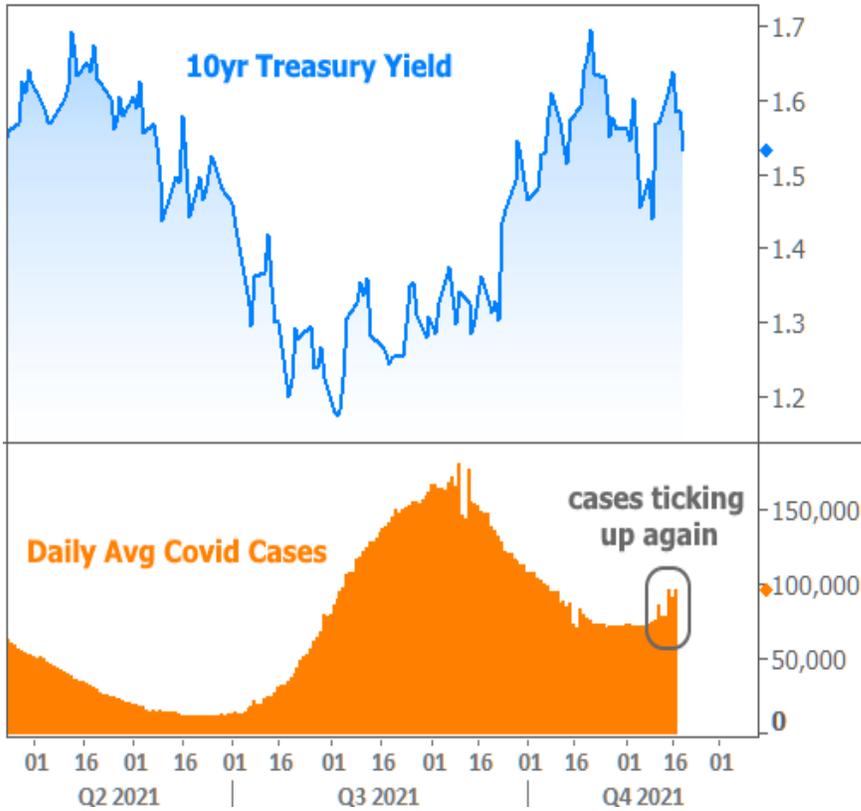


Traders can draw their own conclusions, but

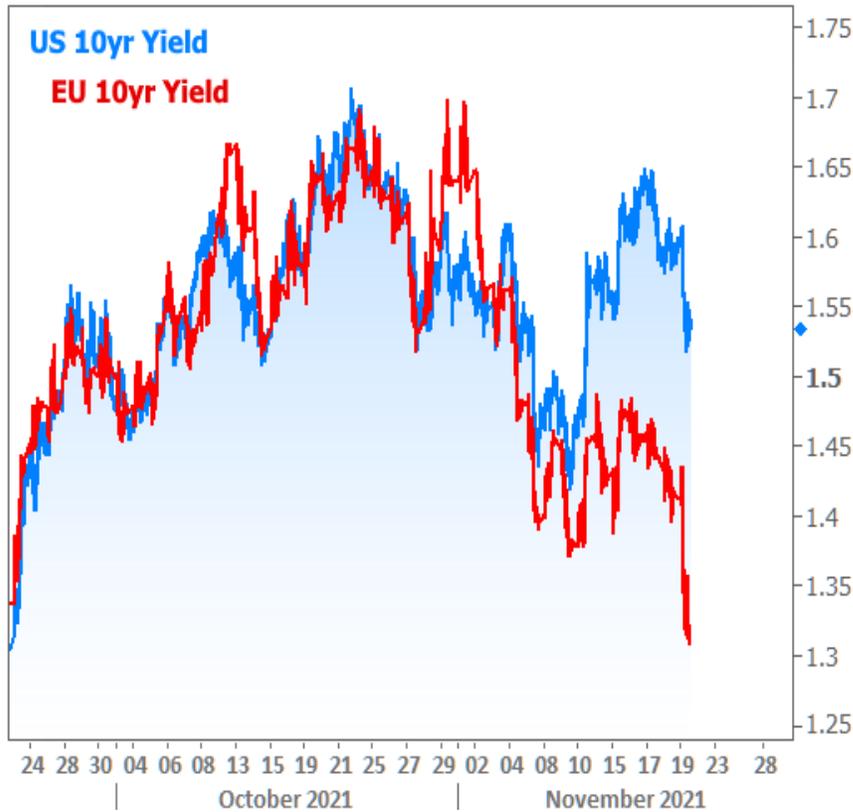
they're certainly considering the fact that Austria is not alone in its case count surge.



If it can happen there, it can happen here. The specifics don't even need to line up. The bottom line is that "more covid" = "downward pressure on rates," all other things being equal. That's why we've revisited this chart in recent weeks as declining case counts leveled off and reversed course in the U.S.



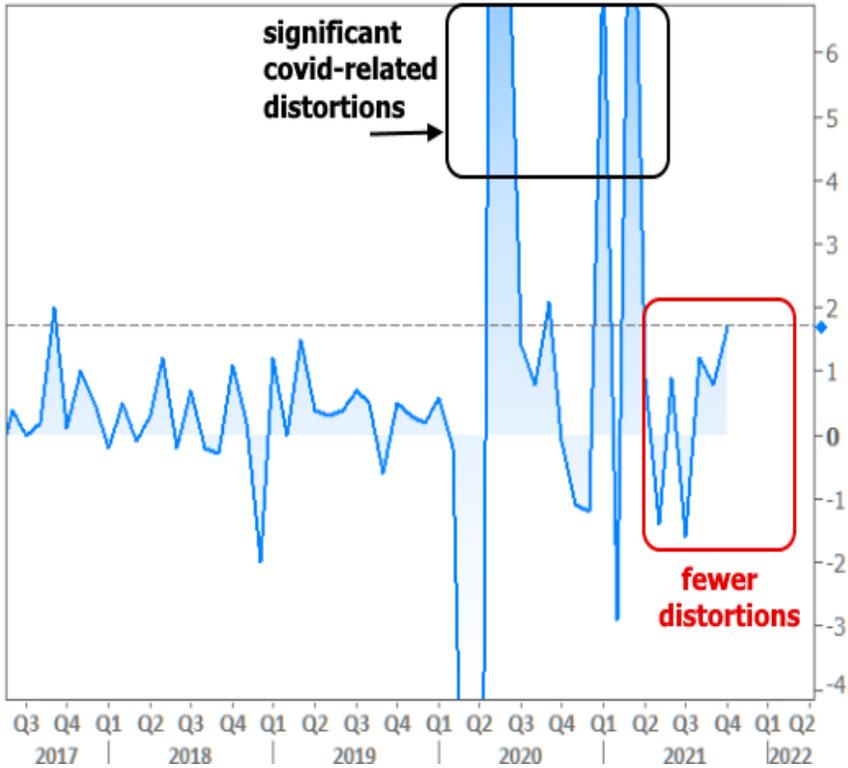
Even if the U.S. remained in better shape than Europe, it's a global economy with interconnected financial markets. Europe has already helped limit the damage that would have otherwise been seen during the most recent run-up in interest rates. If EU yields hadn't been declining in November, US yields likely would have had an easier time revisiting October's levels.



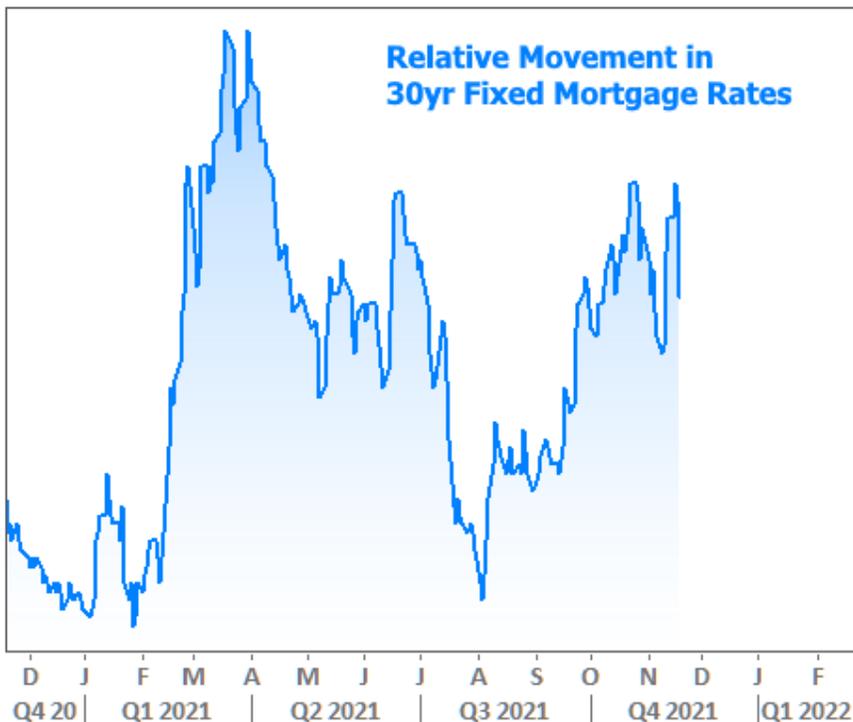
None of the above is to suggest that rates are destined to continue lower. It's simply to explain their resilience. After all, there are several important factors that suggest more upward pressure on rates than we've seen in recent weeks. These include the following, to name a few:

- Fewer bond purchases from the Fed
- More inflation
- Earlier rate hike expectations from the Fed
- An absence of runaway covid numbers in the new school year
- Fiscal policy creating bond market "supply"

In addition, several economic reports have shown faster growth than expected. This week alone, Retail Sales and the Philadelphia Fed's Business Index both came in at historically high levels (notwithstanding the more significant covid-related distortions from earlier in the pandemic).



Mortgage rates began the week in apparent trouble, moving higher at the fastest pace in months, but found their footing by Wednesday. Bond market improvements in the 2nd half of the week help to keep us solidly in the prevailing range, but still well off the summertime lows.



Thanksgiving week brings several mid-tier economic reports as well as home sales data. Treasury will also auction 2, 5, and 7yr notes. The auctions may end up being the biggest sources of volatility if the results are far from expectations. In general, volatility is a bigger risk than normal due to trading conditions associated with the holiday-shortened week (all of the above will be crammed into the first 3 days).

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## 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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