



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](#)

Are Home Sales Lying? And Why Are Rates Flying?

There was a **striking disparity** in two separate reports on home sales this week. According to one, things are great and look to be firing on all cylinders. According to the other, things are "less upbeat" to put it mildly. Which one is telling the truth?

First the **good news**: **New Home Sales** surged well into their best levels since before the Financial Crisis. Not only that, but the trend has been linear and positive without fail since 2010.

Unlike New Home Sales, the **NAR's Pending Sales Index** tracks home purchase **contract** activity. This means it tends to run a month **ahead** of actual sales reports, but more importantly (for the sake of this comparison), that it includes **EXISTING** homes (resales). Here we see some signs for concern, with the index matching its weakest reading in more than 2 years.

The disparity between the two reports can be reconciled in a few ways. Most obviously, we're simply dealing with two **different paces** of recovery relative to 2005's peak. New Home Sales were much slower to rebound, and now have more room to run. In terms of the weakness seen in Pending Home Sales, the NAR cites inventory as the biggest ongoing issue, but also notes hurricane-related distortions are still playing out.

New Home Sales



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

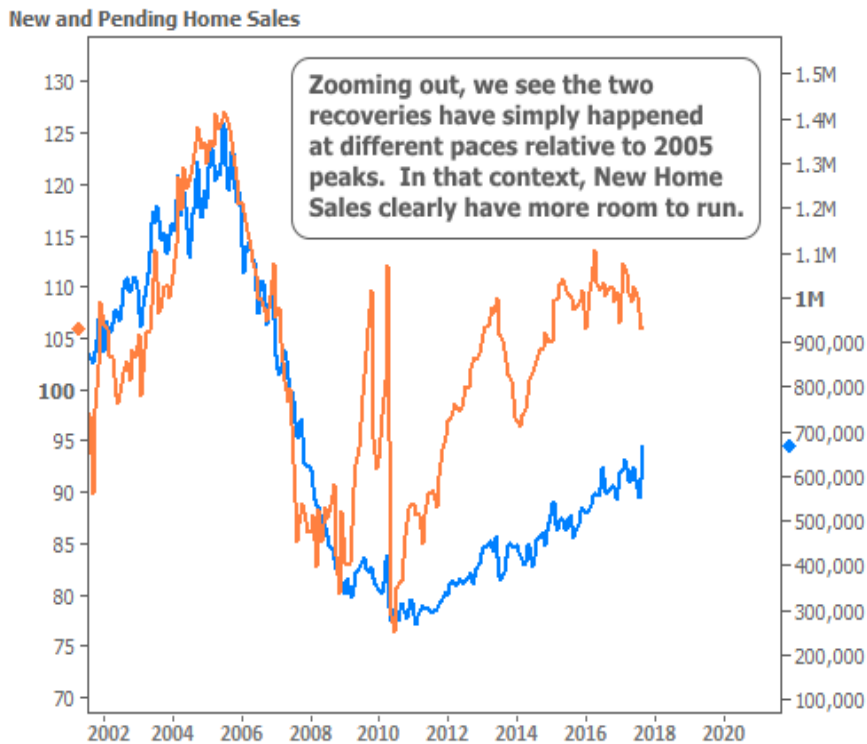
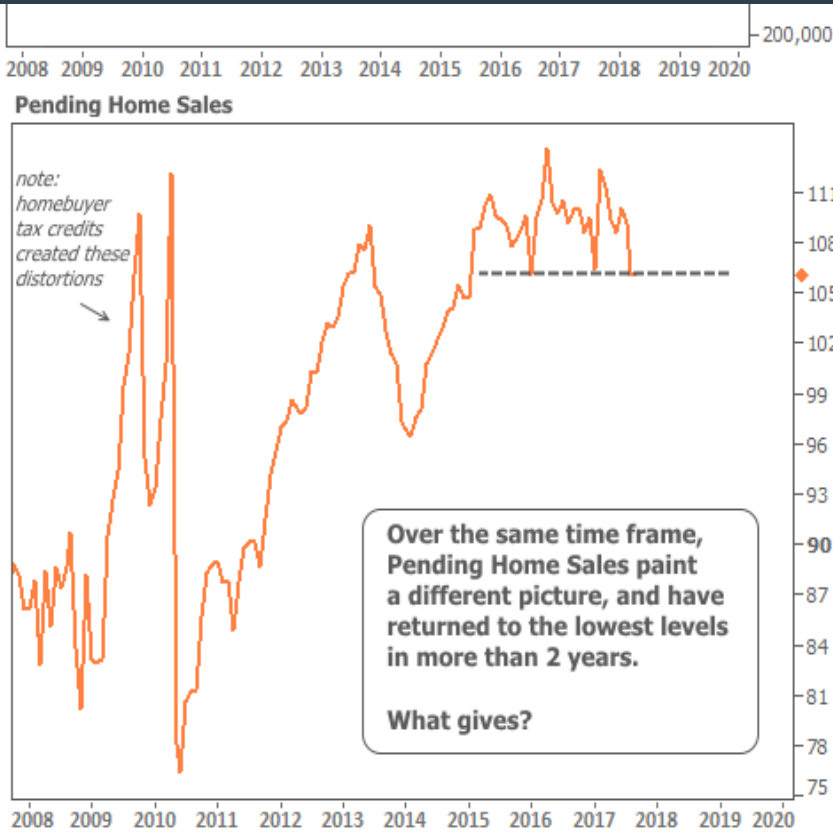
Market Data

	Price / Yield	Change
MBS UMBS 5.5	99.50	+0.11
MBS GNMA 5.5	99.92	+0.15
10 YR Treasury	4.2281	-0.0244
30 YR Treasury	4.4528	-0.0197

Pricing as of: 7/23 8:50AM 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%



Whether or not the plateau in Pending Home Sales is a harbinger of a housing market slowdown remains to be seen. The NAR is clear in pointing out **high levels of demand** among buyers. It's just that many of those buyers aren't able to find or to secure a contract on the homes they want given the stiff competition and affordability constraints.

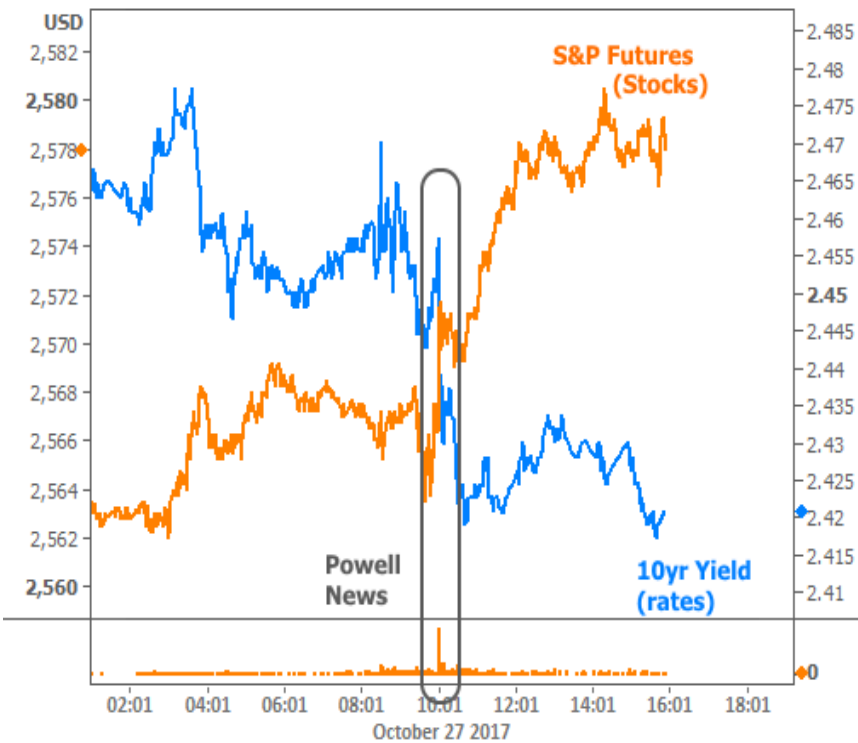
For the most part, mortgage rates are doing their part to help the affordability equation. Rates remain historically low, but they've been **under pressure** in recent weeks. Key considerations have been the possibility of tax reform (which rates don't seem to like), and the uncertainty surrounding the nomination of a new Chairperson for the Fed (which rates may like or dislike, depending on the final choice).

The Fed Chair (a role currently filled by Janet Yellen) is perhaps the **most important person in the world** when it comes to interest rate movement. While the Fed will ultimately be forced to adapt its rate policy to economic conditions, so many of the ups and downs we experience along the way are driven by the Fed's decisions. The Chair has a disproportionate amount of control over those decisions. In short, don't think of the Fed as a "jury" of equals. The table is anything but round, and "The Chair" clearly sits at the head.

Trump has indicated he will announce his Fed Chair nomination by the end of next week. But **rumors** are already flying fairly regularly. The latest arrived on Friday morning, suggesting Trump favored Jerome Powell (an existing Fed member who is seen as being more like Yellen) over the other frontrunner, economist John Taylor.

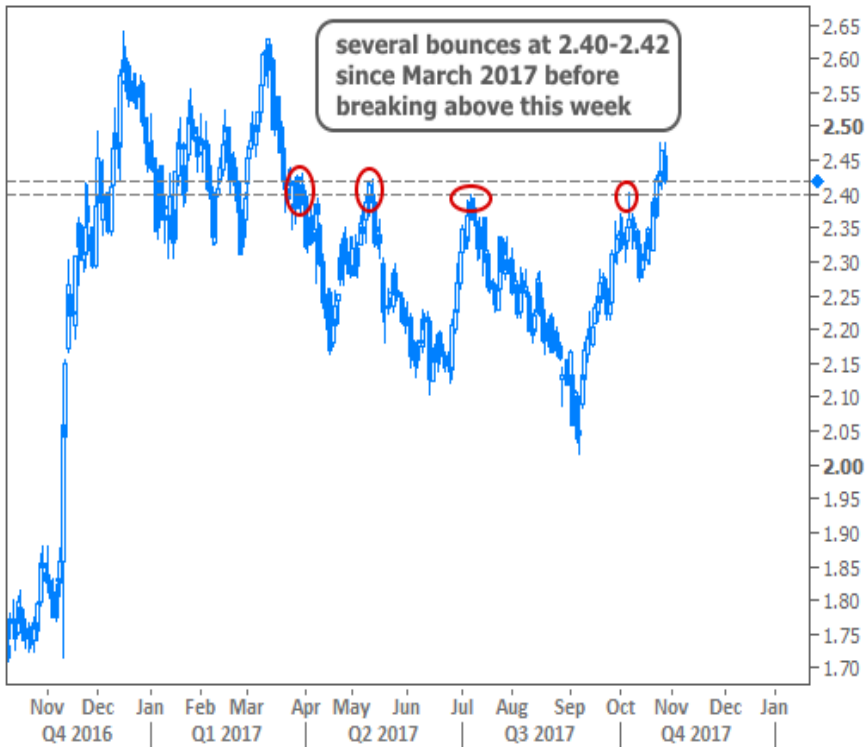
It's easy to see just how much markets care about the decision based on their reaction. Both stocks and bonds prefer Powell in a major way.

Stocks vs Bonds

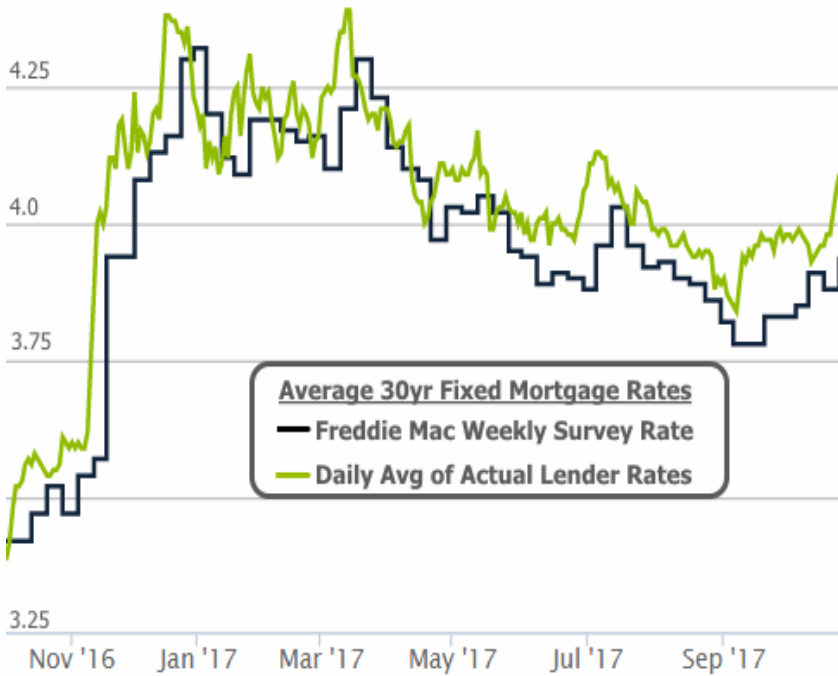


Despite Friday's bond market improvements, rates remain elevated compared to the past few weeks. In terms of 10yr yields, the risk is that we've broken above a key ceiling at 2.42%, and might have a hard time making a convincing move back below.

10yr Treasury Yield



Mortgage rates are faring slightly better and have yet to rise above summertime highs. That said, this week was worse than most major media outlets are reporting due to overreliance on Freddie Mac's weekly survey-based rate data (which can lag actual lenders' rate sheets when markets are volatile).



Expect **infinitely more clarity** on the rate situation next week when we get the final word (hopefully) from Trump himself.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Wednesday, Oct 25				
7:00AM	w/e Mortgage Market Index			405.2
7:00AM	w/e Mortgage Refinance Index			1359.2
7:00AM	w/e MBA Purchase Index	228.0		242.9
8:30AM	Sep Durable goods (%)	2.2	1.0	2.0
8:30AM	Sep Nondefense ex-air (%)	1.3	0.5	1.1
9:00AM	Aug Monthly Home Price yy (%)	6.6		6.3
9:00AM	Aug Monthly Home Price mm (%)	0.7		0.2
10:00AM	Sep New home sales-units mm (ml)	0.667	0.555	0.560
10:00AM	Sep New home sales chg mm (%)	18.9	-0.9	-3.4
1:00PM	5-Yr Note Auction (bl)	34		
Thursday, Oct 26				
8:30AM	w/e Jobless Claims (k)	233	235	222
10:00AM	Sep Pending Sales Index	106.0		106.3
10:00AM	Sep Pending Home Sales (%)	0.0	0.2	-2.6
1:00PM	7-Yr Note Auction (bl)	28		
Friday, Oct 27				
8:30AM	Q3 GDP Advance (%)	3.0	2.5	3.1
10:00AM	Oct U Mich Sentiment Final (ip)	100.7	100.9	101.1
Monday, Oct 30				
8:30AM	Sep Consumer Spending (Consumption) (%)	+1.0	0.8	0.1
8:30AM	Sep Core PCE (y/y) (%)	+1.3		1.3
8:30AM	Sep Personal Income (%)	+0.4	0.4	0.2
Tuesday, Oct 31				
9:00AM	Aug CaseShiller 20 yy (%)	+5.9	6.0	5.8
9:45AM	Oct Chicago PMI	66.2	61.0	65.2
10:00AM	Oct Consumer confidence	125.9	121.0	119.8
Wednesday, Nov 01				
7:00AM	w/e Mortgage Market Index	389.8		400.3
8:15AM	Oct ADP National Employment (k)	235	200	135
10:00AM	Oct ISM Manufacturing PMI	58.7	59.5	60.8
10:00AM	Sep Construction spending (%)	+0.3	0.0	0.5
2:00PM	N/A FOMC rate decision (%)	1.000 - 1.250	1.125	1.125
Thursday, Nov 02				
8:30AM	Q3 Productivity Preliminary (%)	3.0	2.4	1.5

Event Importance:

No Stars = Insignificant

☆ Low

★ Moderate

★★ Important

★★★ Very Important

Date	Event	Actual	Forecast	Prior
8:30AM	Q3 Labor Costs Preliminary (%)	0.5	0.5	0.2
8:30AM	w/e Jobless Claims (k)		235	233
9:45AM	Oct ISM-New York index	749.4		748.6
Friday, Nov 03				
8:30AM	Oct Non-farm payrolls (k)	261	310	-33
8:30AM	Oct Unemployment rate mm (%)	4.1	4.2	4.2
8:30AM	Sep International trade mm \$ (bl)	-43.5	-43.2	-42.4
10:00AM	Oct ISM N-Mfg PMI	60.1	58.5	59.8
10:00AM	Sep Factory orders mm (%)			1.2

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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