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Mortgage Banker, Since 1985
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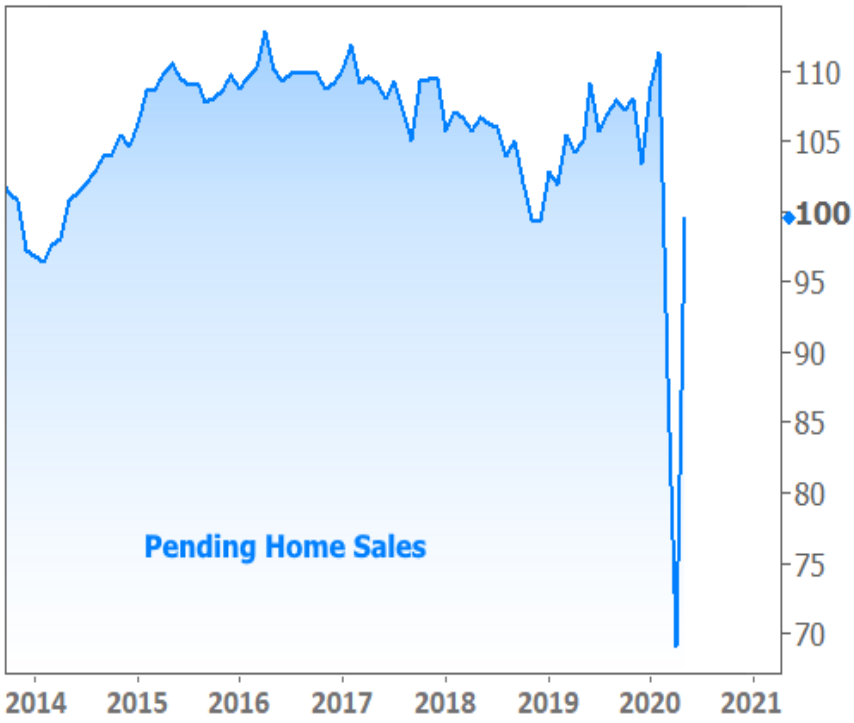
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Huge Housing Rebound, All-Time Low Rates, But At What Cost?

This week's economic data included the **biggest-ever** gain in Pending Home Sales, a leading indicator for the housing market. Meanwhile, mortgage rates pushed down to new all-time lows yet again.

But **at what cost?**

The **most pessimistic** way to explain the surge in home sales is to say it was only made possible by the record-setting **declines** in the past few months.



That's mostly true, but it **fails to give credit** to what the industry and government officials have been doing to help jump start economic activity. Would sales bounce back like this without all-time low mortgage rates and a stock market recovery (both made possible by emergency intervention from the Federal Reserve)? Would consumers be as comfortable spending money without the promise of additional fiscal stimulus and other support programs already in place?

National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.33%	-0.12	0.00
15YR Fixed	6.89%	-0.10	0.00
30YR FHA	6.95%	-0.10	0.00
30YR Jumbo	7.44%	-0.06	0.00
7/6 SOFR	6.81%	-0.19	0.00
30YR VA	6.97%	-0.10	0.00

Rates as of: 11/20

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	99.51	+0.41
10 YR Treasury	4.9403	-0.1033
30 YR Treasury	5.3324	-0.0738

Pricing as of: 11/20 5:59PM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Nov 11	199.8	-2.35%
Building Permits	Oct	1.3M	-7.5%
Housing Starts	Oct	1.31M	+7.21%
New Home Sales	Sep	676K	-1.17%
Pending Home Sales	Oct	63	-4.69%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Nov	25	-13.79%

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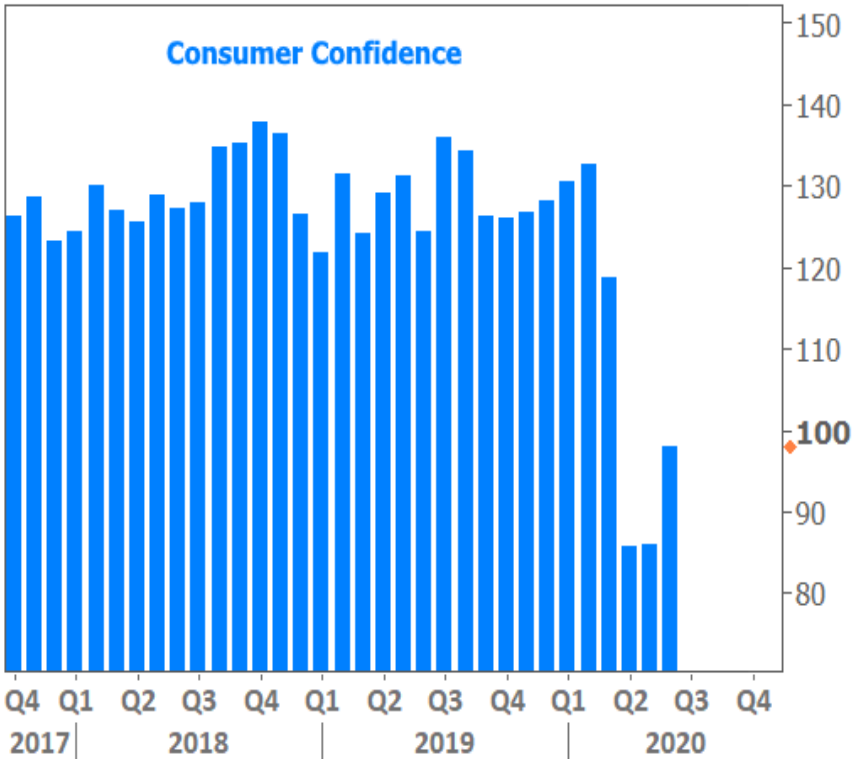
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While we can't say exactly how big the impact would be if we removed those helping hands, we have to assume things would be worse without them, at least in the here and now. Critics contend that the emergency programs could cause issues in the future, but as is **always** the case with emergency support from the Fed or the US government, the preference is to avoid **present day** pain even if it simply delays the inevitable.

It's also important to keep in mind that we're really only talking about the **early stages** of an economic recovery. Many other economic indicators suggest we've only taken a small bite out of the broader damage caused by coronavirus.

For instance, consumer confidence jumped **much higher**, but it's **nowhere near** pre-coronavirus levels.



The unemployment rate fell **much** more than economists expected, but it remains at levels that would be considered **borderline catastrophic** relative to recent precedent.

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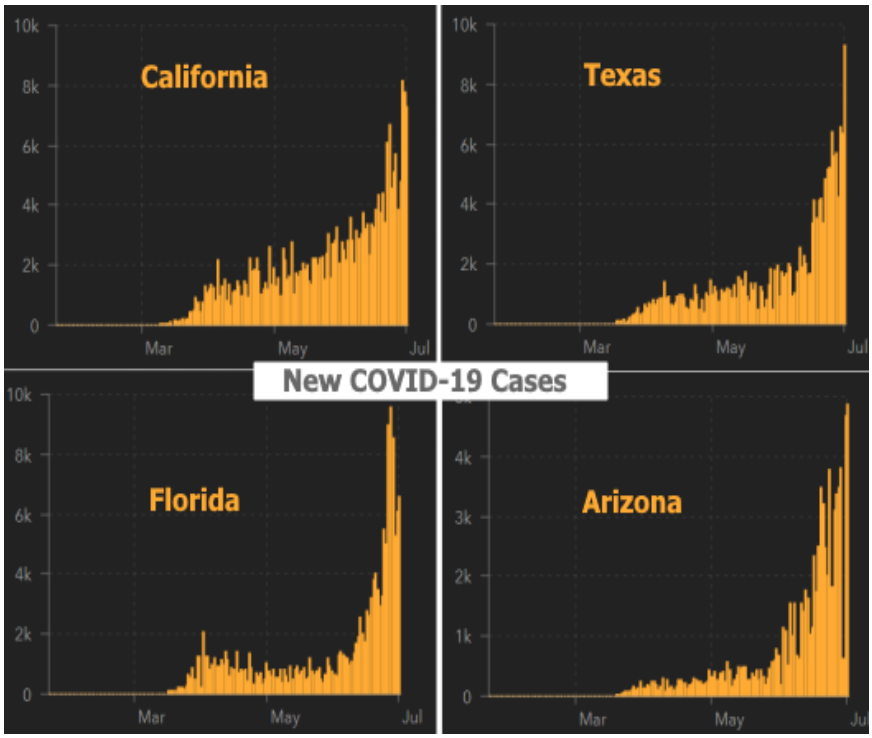
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The **true test** for an economic rebound will be **HOW MUCH** of the recent precedent can be recovered. The jury is very much out on that one, and it's going to take plenty of time for that to change.

Financial markets know this. They've settled into the role of **spectators in the battle** between coronavirus numbers and economic progress. Several states have been in the spotlight recently, serving as a warning that it may not be a simple task to reopen local economies without risking an unacceptable increase in case counts.

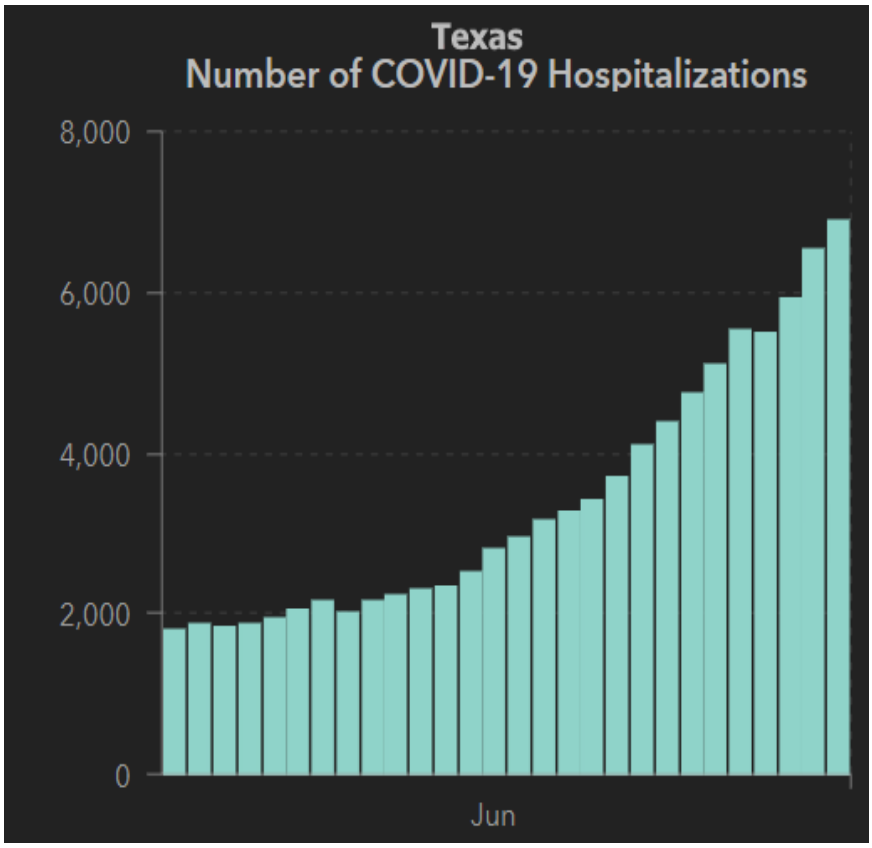


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And yes, we should all be cognizant of the nuances created by **increased testing** capacity. That's why the focus has shifted from case counts to include positive test rates and hospitalizations. In some cases, increased testing explains most of the surge. But in general, the states with troubling increases in numbers are seeing hospitalizations ramp up as well.

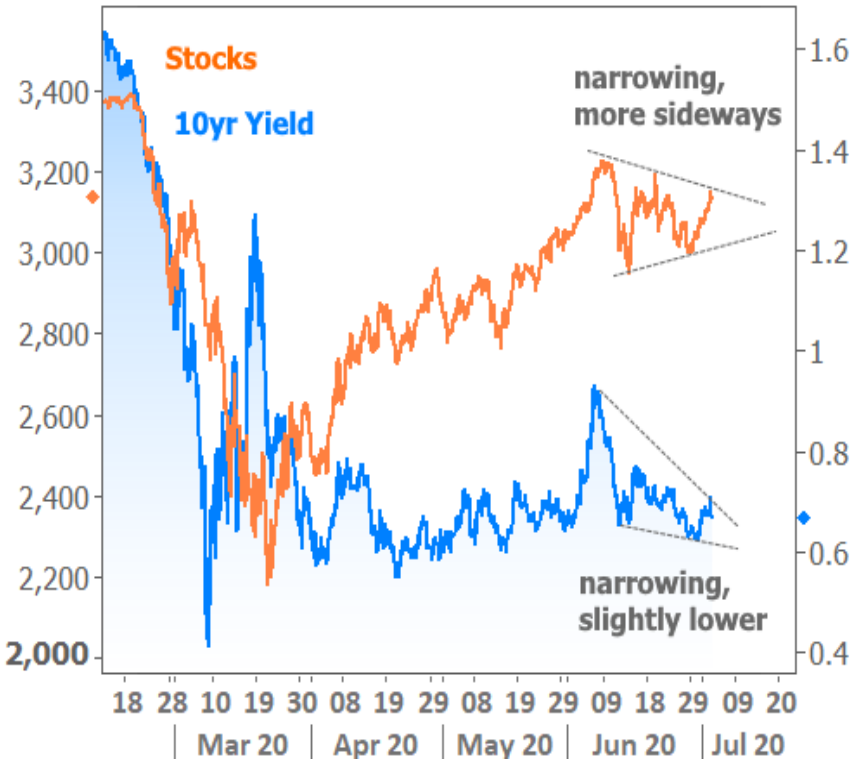


As the correlation between economic reopening and these covid numbers came to the forefront in June, both sides of the financial market (equities/stocks and debt/bonds/rates) **halted** their prevailing momentum and circled the wagons. In other words, stocks were surging, but since early June, they've been sideways in a narrower range. The bond market is also consolidating, but with slight bias toward lower rates.

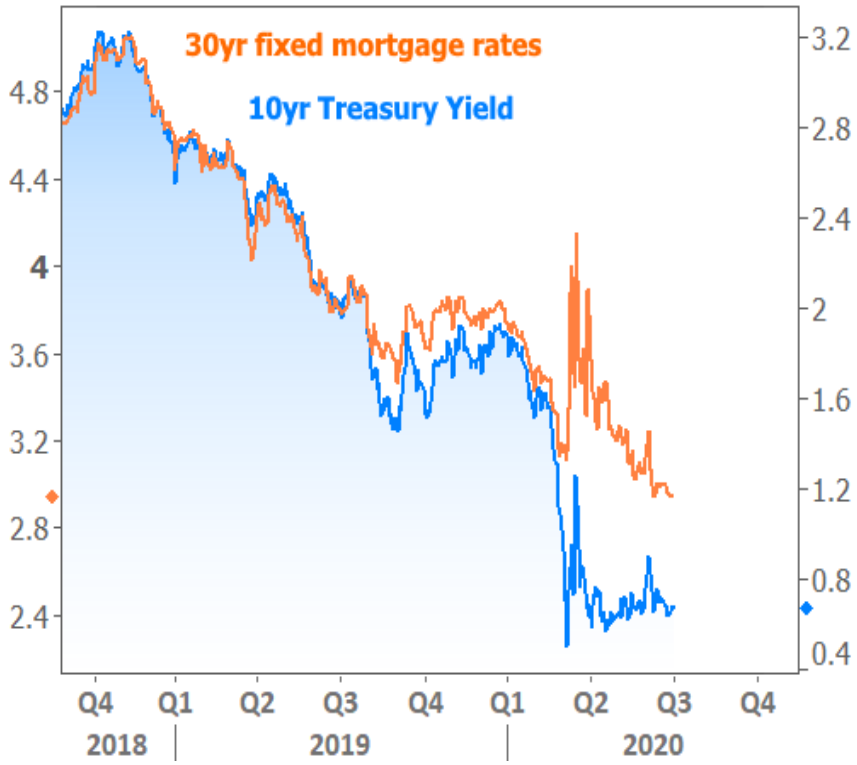
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10yr Treasury yields are historically an excellent indicator for mortgage rates. They still are to some extent, but it's important to remember that mortgage rates did so much worse than Treasuries in March that they've had some **extra room to improve** recently. That's why mortgage rates were able to hit all-time lows yet again this week even as 10yr yields remain well above their recent lows.



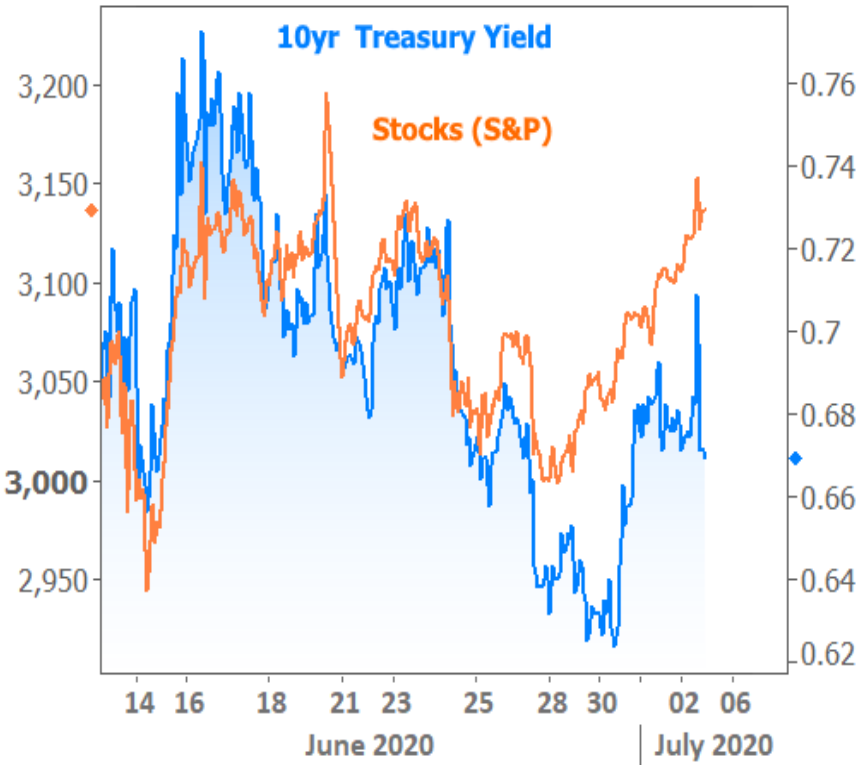
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One word of caution on the chart above. It may **look** like mortgage rates (orange line) are destined to rejoin the blue line, but there are several reasons that they'll have a hard time doing that. At the very least, it would take months and months. Simply put, the chart does **not** guarantee additional improvements in mortgage rates or that they would be immune to rising Treasury yields.

Financial markets closed early on Thursday in observance of Independence Day and will be **fully closed on Friday**. When trading resumes next week, we can expect stocks and bonds to continue taking cues from each other as they both watch the debate between economic performance and coronavirus numbers. The following chart shows the correlation between stocks and bonds that we tend to see on most days.



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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Monday, Jun 29				
10:00AM	May Pending Home Sales (%)	+44.3	18.9	-21.8
10:00AM	May Pending Sales Index	99.6		69.0
Tuesday, Jun 30				
9:00AM	Apr CaseShiller 20 yy (%)	+4.0	4.0	3.9
9:45AM	Jun Chicago PMI	36.6	45.0	32.3
10:00AM	Jun Consumer confidence	98.1	91.8	86.6
Wednesday, Jul 01				
7:00AM	w/e Mortgage Refinance Index	3359.2		3434.6

Event Importance:

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

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Date	Event	Actual	Forecast	Prior
7:00AM	w/e MBA Purchase Index	308.7		312.7
8:15AM	Jun ADP National Employment (k)	2369	3000	-2760
10:00AM	Jun ISM Manufacturing PMI	52.6	49.5	43.1
10:00AM	May Construction spending (%)	-2.1	1.0	-2.9
Thursday, Jul 02				
8:30AM	Jun Non-farm payrolls (k)	4800	3000	2509
8:30AM	Jun Unemployment rate mm (%)	11.1	12.3	13.3
8:30AM	w/e Jobless Claims (k)	1427	1378	1480
8:30AM	w/e Continued jobless claims (ml)	19.290	18.950	19.522
10:00AM	May Factory orders mm (%)	8.0	8.9	-13.0
Monday, Jul 06				
10:00AM	Jun ISM N-Mfg PMI	57.1	50.1	45.4
10:00AM	Jun ISM N-Mfg Bus Act	66.0	49.0	41.0
Wednesday, Jul 08				
3:00PM	May Consumer credit (bl)	-18.28	-15.50	-68.78
Thursday, Jul 09				
10:00AM	May Wholesale inventories mm (%)	-1.2	-1.2	-1.2
Friday, Jul 10				
8:30AM	Jun Core Producer Prices YY (%)	0.1	0.4	0.3

Who is Mid Valley Financial?

Since 1985, Mid Valley Financial has been a trusted partner for complex real estate financing solutions. We specialize in handling unique and challenging loan scenarios, including those with non-traditional income or asset documentation. Our expertise in hard money and private money lending offers quick funding and flexible terms for real estate investors, business owners, and agricultural operators. Whether you need funds for purchasing, renovating, or refinancing properties, our experienced team is here to help.

Beyond hard money lending, we offer a comprehensive suite of competitively priced home loan options, including conventional, FHA, VA, and jumbo loans. So whether you are a first-time homebuyer, looking to secure the family estate or vacation property, or have unique financial circumstances, our experienced team can help you find the best solution.

Our commitment to exceptional customer service and innovative financing solutions has made us one of the leading direct lenders and mortgage brokers in the California real estate market. With a proven track record of success and a focus on building long-term relationships, we're here to help you achieve your financial goals.

Mid Valley Financial MVF

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