



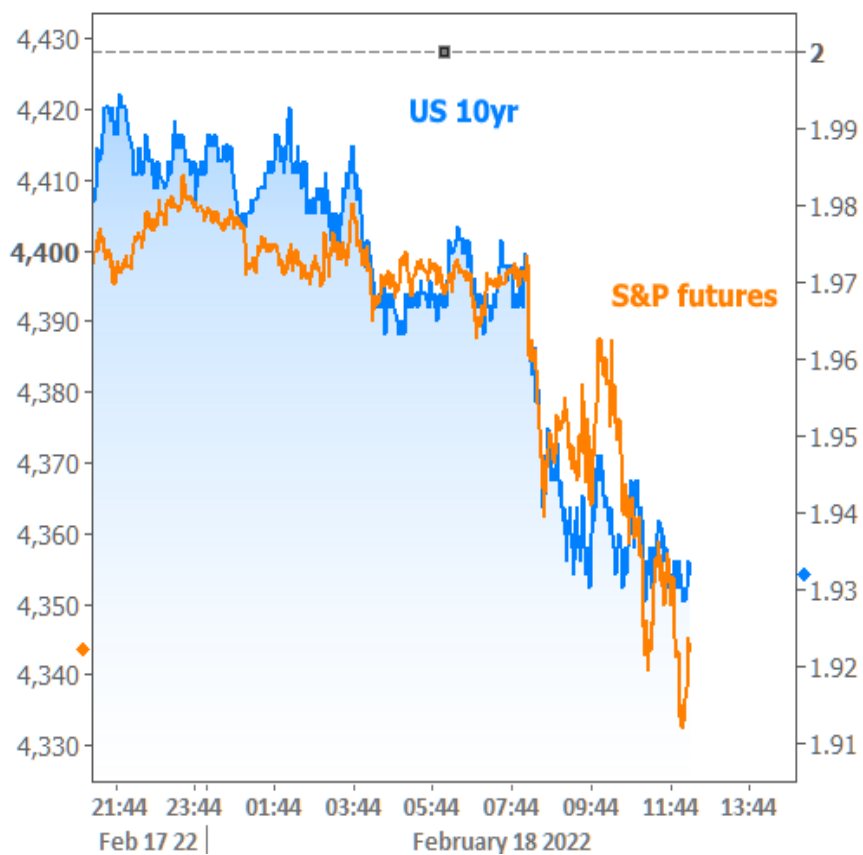
**Mid Valley Financial**

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## Mortgage Rates Having Tough Time, But Housing Metrics Are Still Strong

With things still up in the air in terms of geopolitical risk, markets are seeking safer havens. Most recently, this is affecting stocks a bit more than bonds.



This correlated movement is in line with conventional wisdom (i.e. buy bonds, sell stocks, or vice versa). But that wisdom **often differs from reality**. That's especially true over longer time horizons and truer still when markets are adjusting to a shift in the Fed policy outlook. In other words, rather than promote stock prices and bond yields moving in the same direction, a less friendly Federal reserve pushes yields higher and stocks lower. It wasn't until this week's geopolitical flare-up that the correlation returned.

## 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

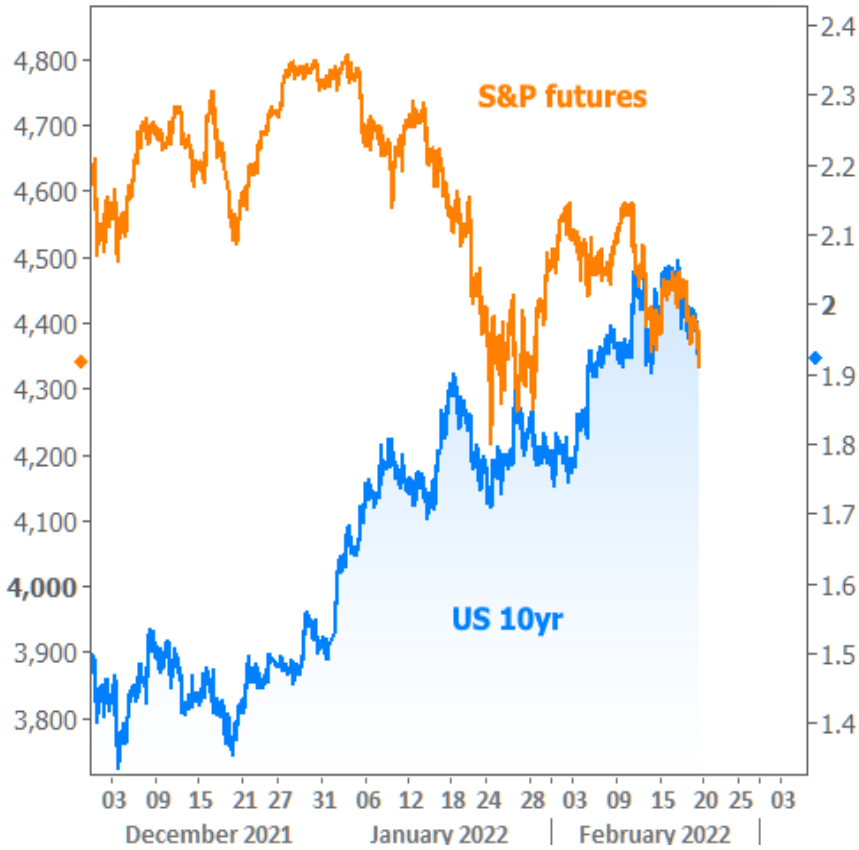
## Market Data

	Price / Yield	Change
MBS UMBS 5.5	99.39	-0.01
MBS GNMA 5.5	99.78	+0.00
10 YR Treasury	4.2418	-0.0107
30 YR Treasury	4.4598	-0.0127

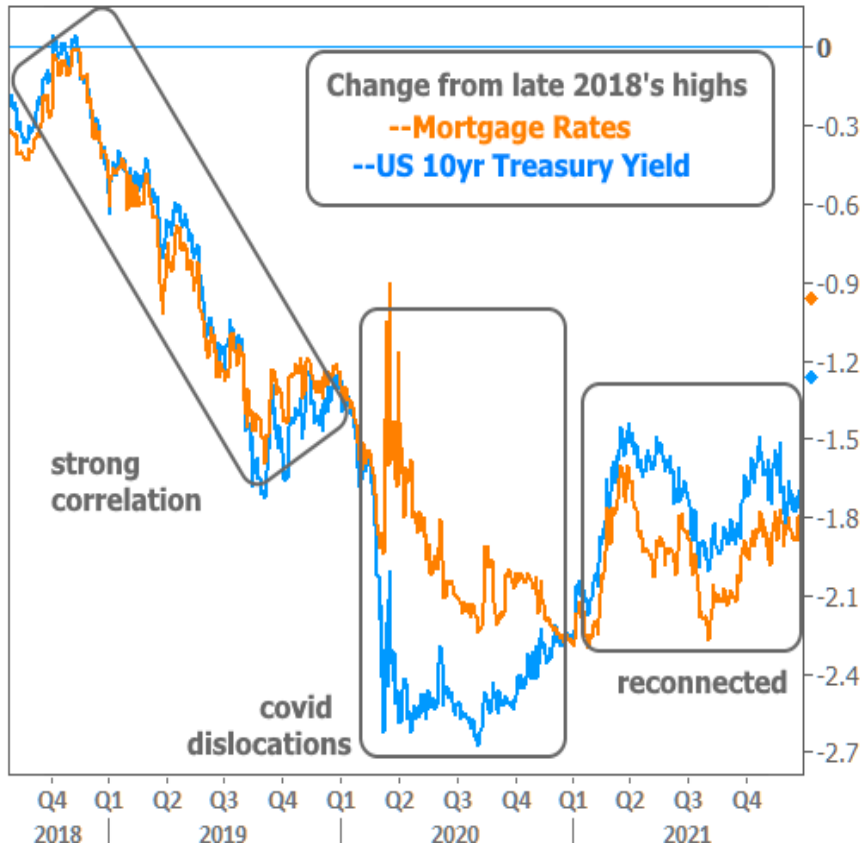
Pricing as of: 7/22 10:51PM EST

## Recent Housing Data

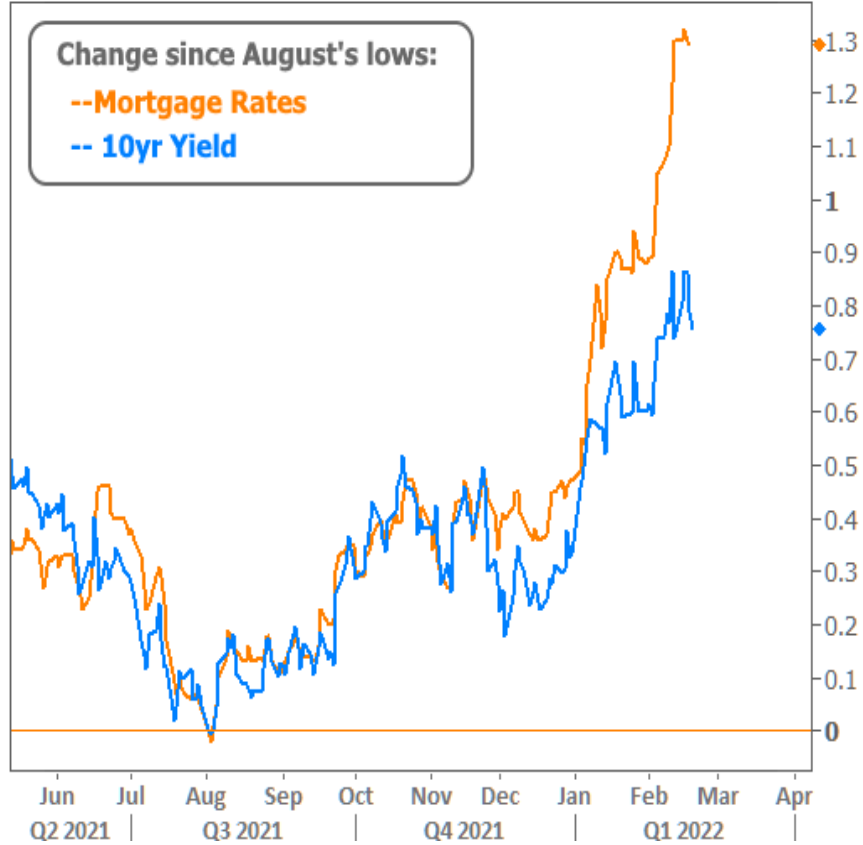
		Value	Change
Mortgage Apps	Jul 10	206.1	-0.19%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%
Builder Confidence	Mar	51	+6.25%



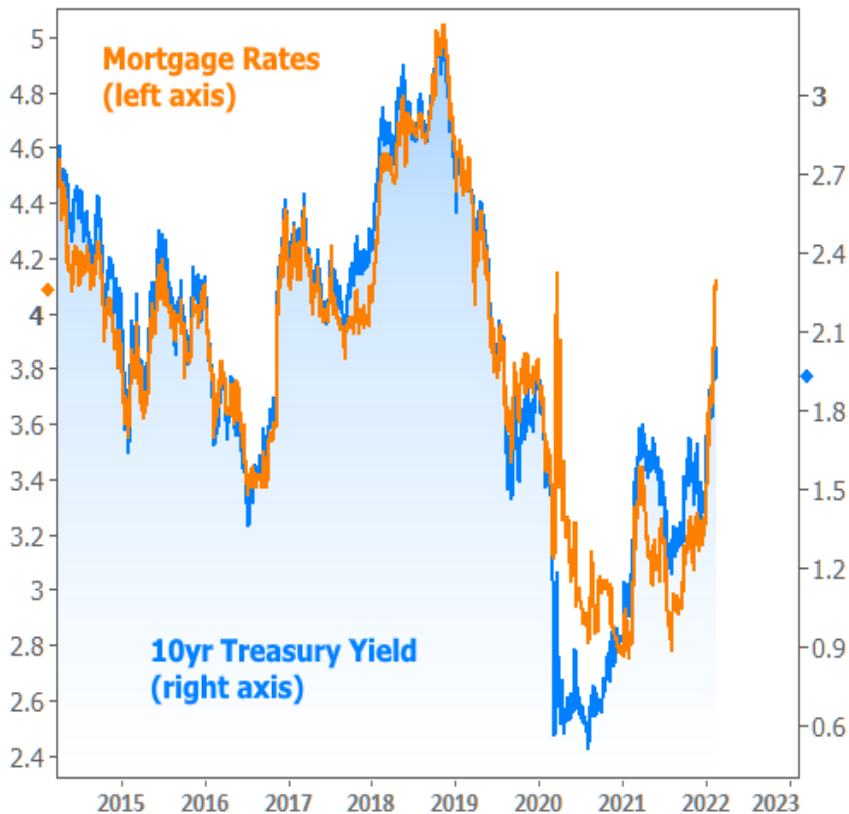
How about the mortgage market though? It traditionally correlates almost flawlessly with Treasuries. We already know that covid threw that correlation out the window in 2020, but it had come back nicely by the middle of 2021.



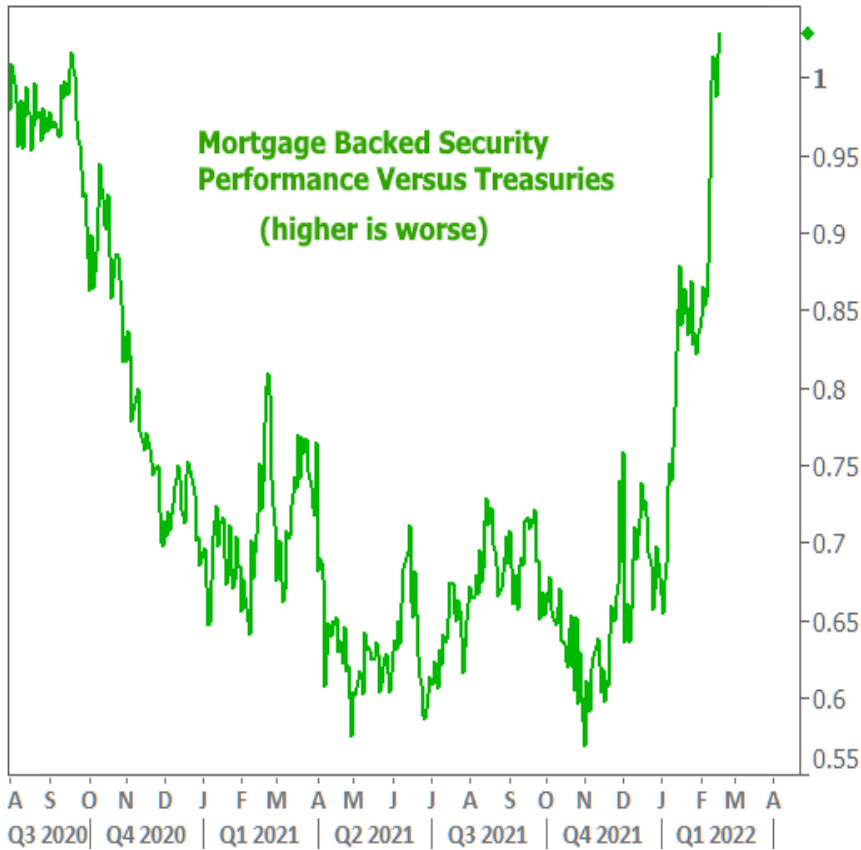
Even now, mortgage rates and Treasury yields are moving in the same direction, but definitely not at the same pace.



For those that prefer to see outright levels (as opposed to "change"):



Viewed another way, here's the relative performance of MBS versus Treasury yields of comparable maturities.



Here too, blame the Fed. The Fed's recent policy shift hurts the mortgage market on 2 accounts. First, Fed bond buying constitutes a larger percentage of the total buying universe of newly originated MBS than it does newly minted Treasuries. As such, a reduction in overall bond buying is a bigger shock to the mortgage market. Second, the Fed specifically stated it intends to hold only Treasuries in its securities portfolio. Even if that's only an 'eventual' goal, it signifies another degree of MBS-specific unfriendliness on the part of the Fed.

There are **non-Fed-related reasons** for the underperformance as well, and they're as simple as the nature of the most recent market motivation. Specifically, geopolitical unrest--when it moves markets--is always going to benefit the safest havens first. Treasuries will always be a bit safer than MBS.

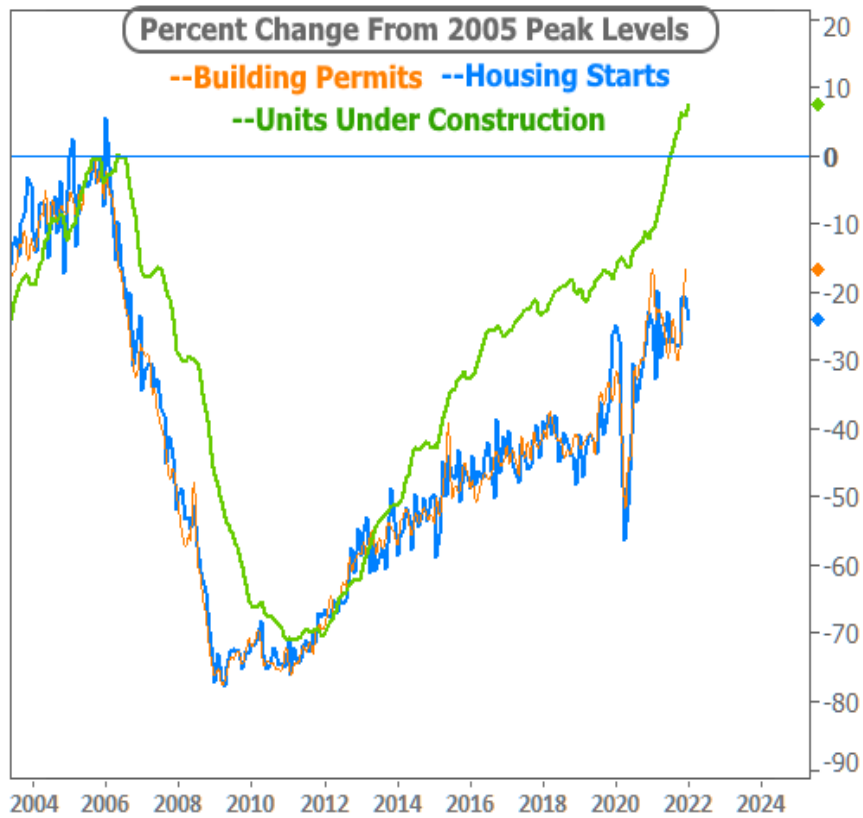
Lastly, MBS appreciate **stability** in the bond market. Volatility makes it harder for mortgage lenders to price and sell MBS efficiently. A stable valuation benchmark (think "basic bond yardstick" by which more complex bonds are measured) helps MBS move more like Treasuries and mortgage rates to move more like MBS.

On this note, Treasuries are fighting to stabilize, but it remains to be seen if it's just a geopolitically-motivated pause as opposed to organic support that brings reprieve after the recent rate spike. We're watching key levels at 2.06 and 1.91 to get a better sense of this.



Again, due to the varying levels of performance between the mortgage and Treasury markets, the key levels in 10yr Treasuries won't necessarily coincide with any specific mortgage rate, but they can help us identify shifts in broad bond market momentum.

In terms of broad housing market momentum, we have yet to see the impact of the rising rate environment on January's data. Both sales and construction remained very strong.



It's important to note, especially in light of the headline (i.e. "housing still strong") that big surges in mortgage rates almost always translate to a certain level of decline in home sales and construction numbers. Things could always be different this time around. After all, it has been a very uncommon cycle for many reasons. But the point is simply to account for the possibility that history repeats itself. On a positive note, previous rate spikes have fallen well short of causing any overly burdensome contraction in the housing market. They're easiest to visualize in the Existing home sales chart above, in the 2nd half of 2013 and 2018... small potatoes in the bigger picture.

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## Recent Economic Data

Date	Event	Actual	Forecast	Prior
<b>Tuesday, Feb 15</b>				
8:30AM	Jan Core Producer Prices YY (%)	8.3	7.9	8.3
8:30AM	Feb NY Fed Manufacturing	3.10	12.15	-0.70
<b>Wednesday, Feb 16</b>				
7:00AM	w/e MBA Purchase Index	279.0		282.3
7:00AM	w/e MBA Refi Index	1988.8		2183.5
8:30AM	Jan Import prices mm (%)	2.0	1.3	-0.2
8:30AM	Jan Retail Sales (%)	3.8	2.0	-1.9
9:15AM	Jan Industrial Production (%)	1.4	0.4	-0.1
10:00AM	Feb NAHB housing market indx	82	83	83
10:00AM	Dec Business Inventories (%)	2.1	2.1	1.3
2:00PM	FOMC Minutes			
<b>Thursday, Feb 17</b>				
8:30AM	Jan Building permits: number (ml)	1.899	1.760	1.885
8:30AM	Jan Build permits: change mm (%)	0.7		9.8
8:30AM	Jan Housing starts number mm (ml)	1.638	1.700	1.702
8:30AM	Feb Philly Fed Business Index	16.0	20.0	23.2
8:30AM	Jan House starts mm: change (%)	-4.1		1.4
8:30AM	w/e Jobless Claims (k)	248	219	223
<b>Friday, Feb 18</b>				
10:00AM	Jan Existing home sales (ml)	6.50	6.10	6.18
10:00AM	Jan Exist. home sales % chg (%)	6.7	-1.0	-4.6
10:00AM	Jan Leading index chg mm (%)	-0.3	0.2	0.8
<b>Tuesday, Feb 22</b>				
9:00AM	Dec Case Shiller Home Prices-20 y/y (%)	+18.6	18.0	18.3
9:00AM	Dec FHFA Home Prices y/y (%)	17.6		17.5
9:00AM	Dec CaseShiller Home Prices m/m (%)	+1.5	1.1	1.2
9:00AM	Dec FHFA Home Price Index m/m (%)	1.2		1.1
10:00AM	Feb Consumer confidence	110.5	110.0	113.8
1:00PM	2-Yr Note Auction (bl)	52		

## Event Importance:

No Stars = Insignificant

☆ Low

★ Moderate

★★ Important

★★★ Very Important



Date	Event	Actual	Forecast	Prior
<b>Wednesday, Feb 23</b>				
7:00AM	w/e MBA Purchase Index	250.7		279.0
7:00AM	w/e MBA Refi Index	1677.7		1988.8
1:00PM	5-Yr Note Auction (bl)	53		
<b>Thursday, Feb 24</b>				
8:30AM	Q4 GDP Prelim (%)	7.0	7.0	6.9
10:00AM	Jan New Home Sales (%) (%)	-4.5		11.9
10:00AM	Jan New Home Sales (ml)	0.801	0.806	0.811
1:00PM	7-Yr Note Auction (bl)	50		
<b>Friday, Feb 25</b>				
8:30AM	Jan Core PCE Inflation (y/y) (%)	5.2	5.1	4.9
10:00AM	Jan Pending Home Sales (%)	-5.7	1.0	-3.8
10:00AM	Jan Pending Sales Index	109.5		117.7
10:00AM	Feb Consumer Sentiment (ip)	62.8	61.7	61.7
10:00AM	Feb Sentiment: 1y Inflation (%)	4.9		5.0
10:00AM	Feb Sentiment: 5y Inflation (%)	3.0		3.1

## 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.

Mid Valley Financial 