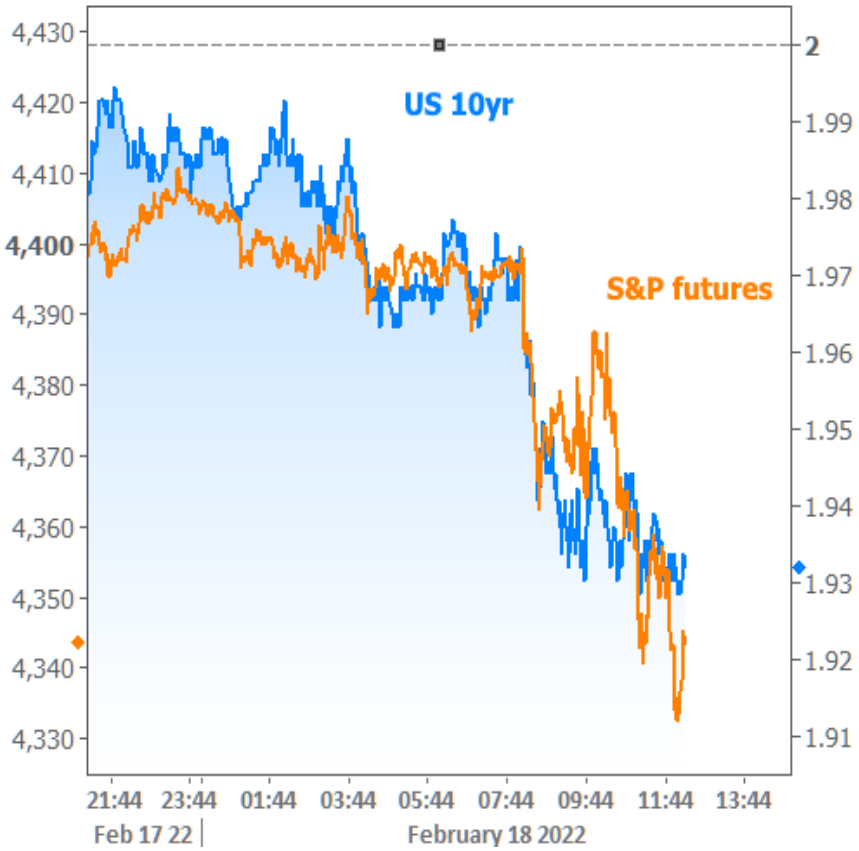
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Mortgage Banker, Since 1985
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# Mortgage Rates Having Tough Time, But Housing Metrics Are Still Strong

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




### 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

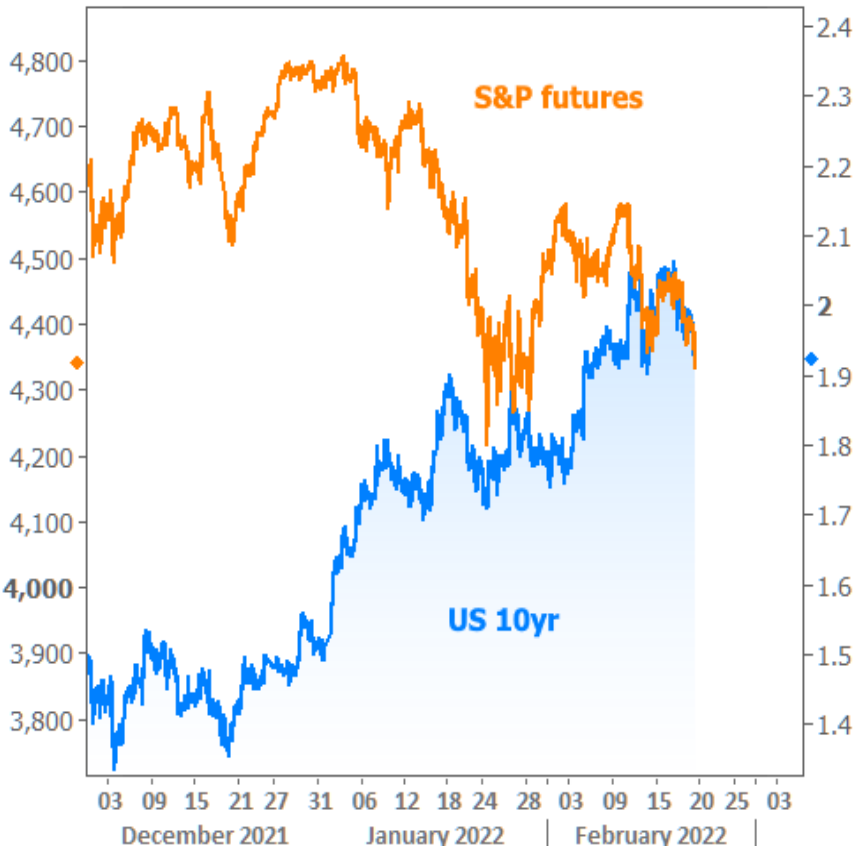
## Recent Housing Data

| | | 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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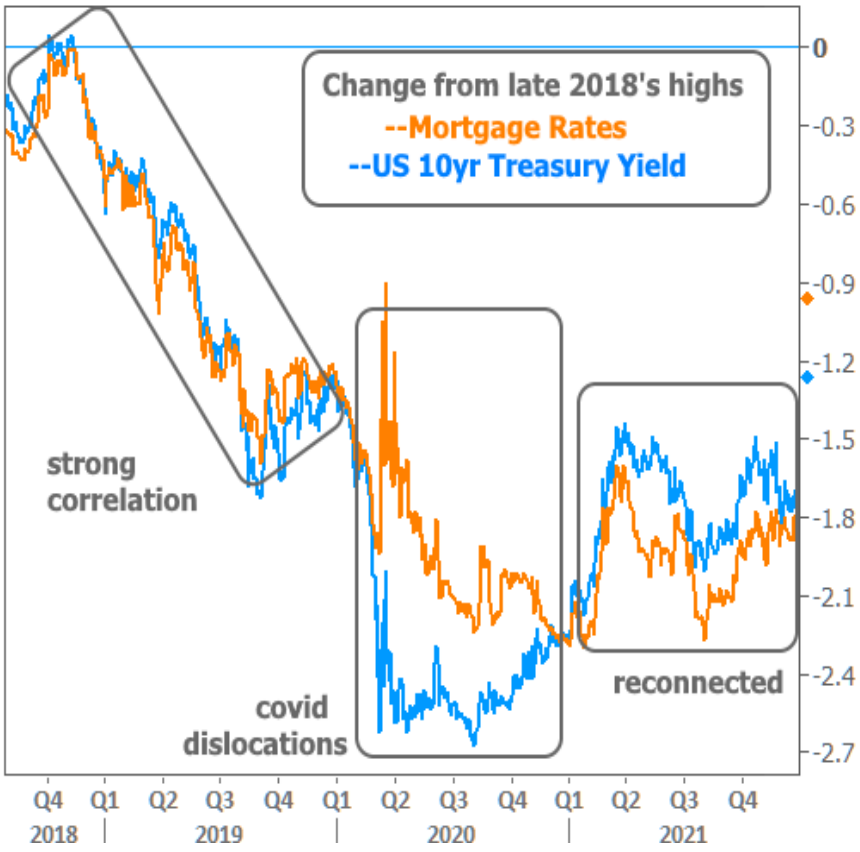



How about the mortgage market though? It traditionally correlates almost flawlessly with Treasuries. We already know that covid threw that correlation out the window in 2020, but it had come back nicely by the middle of 2021.

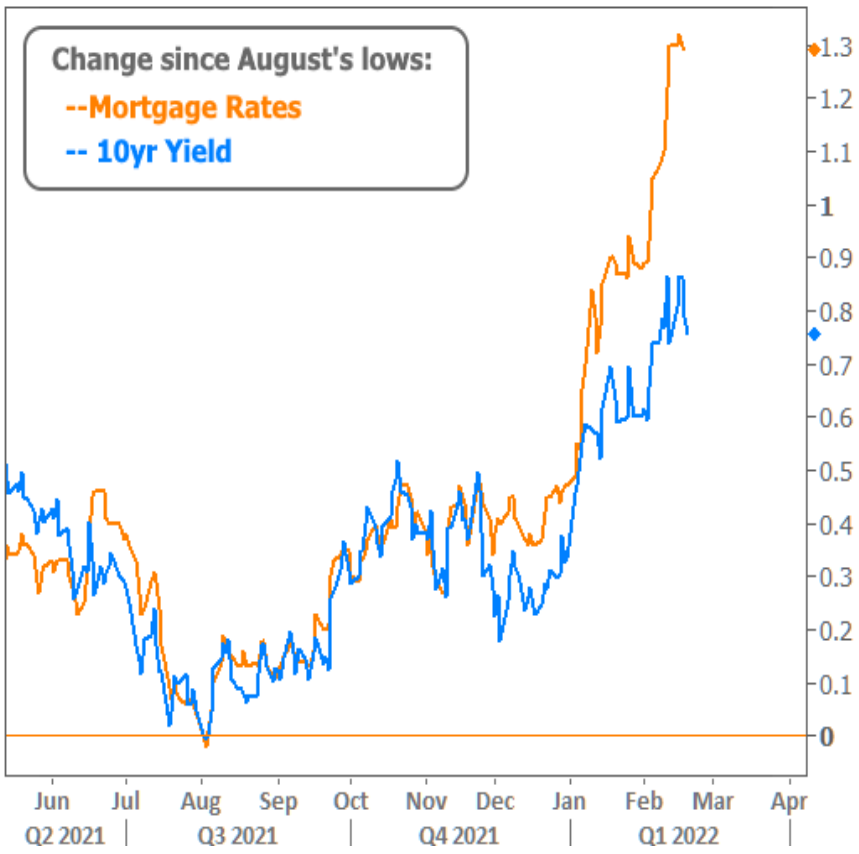
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Even now, mortgage rates and Treasury yields are moving in the same direction, but definitely not at the same pace.

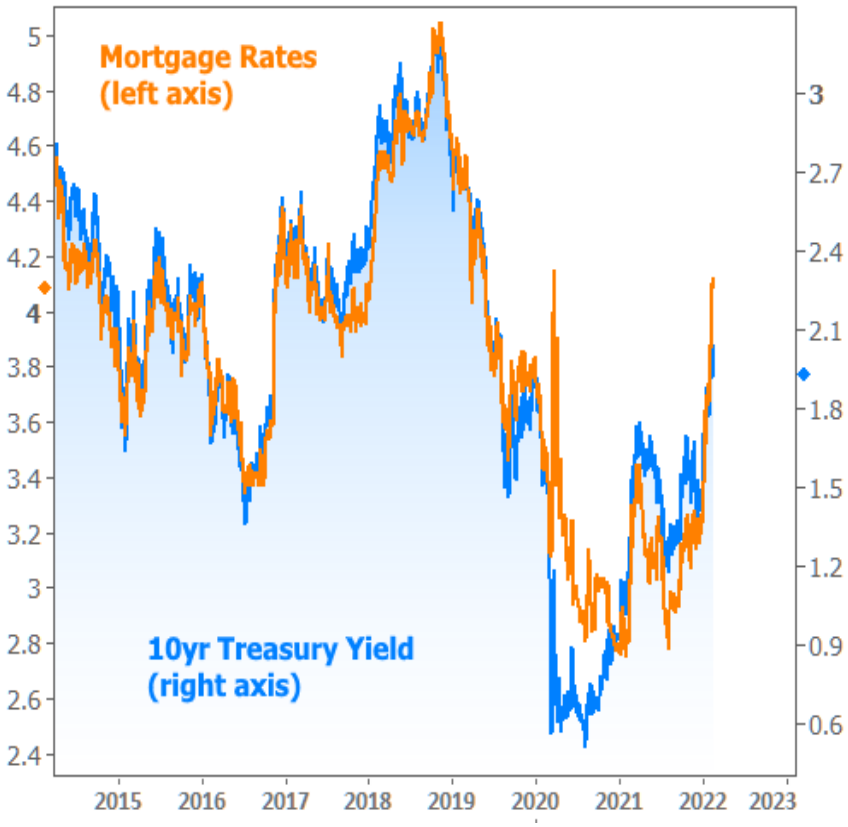



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For those that prefer to see outright levels (as opposed to "change"):

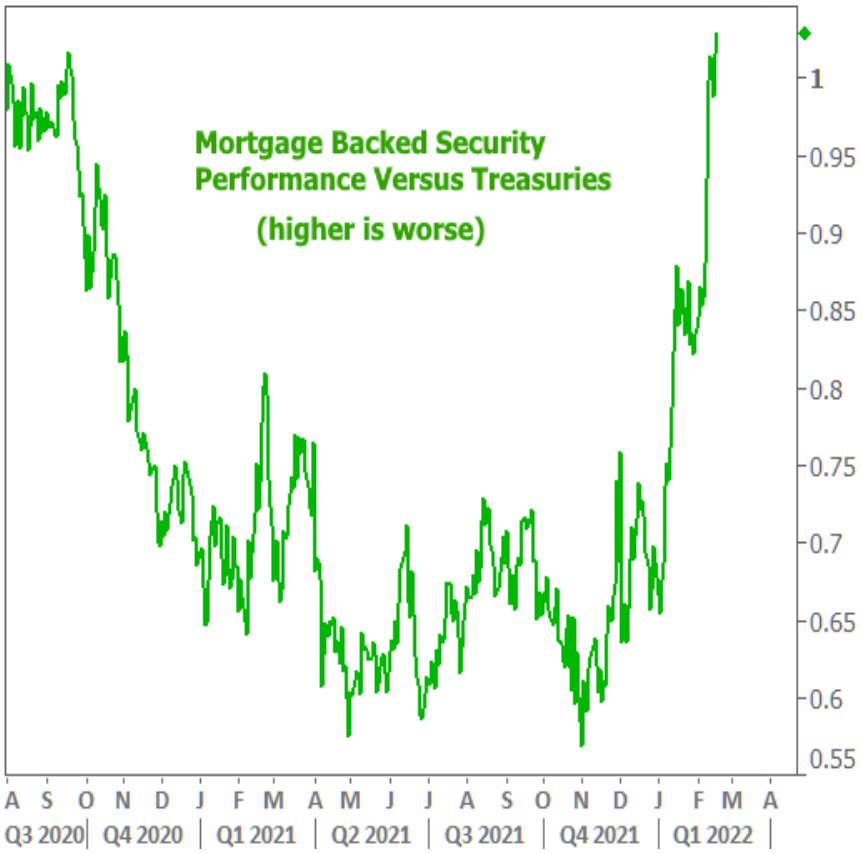



Viewed another way, here's the relative performance of MBS versus Treasury yields of comparable maturities.

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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.

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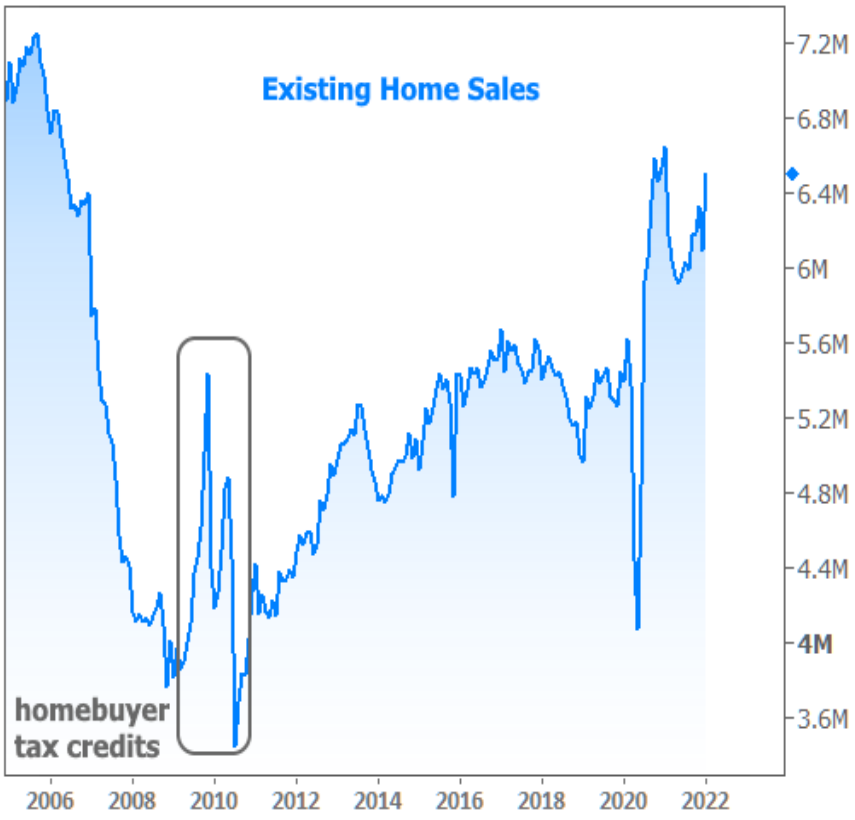

Again, due to the varying levels of performance between the mortgage and Treasury markets, the key levels in 10yr Treasuries won't necessarily coincide with any specific mortgage rate, but they can help us identify shifts in broad bond market momentum.

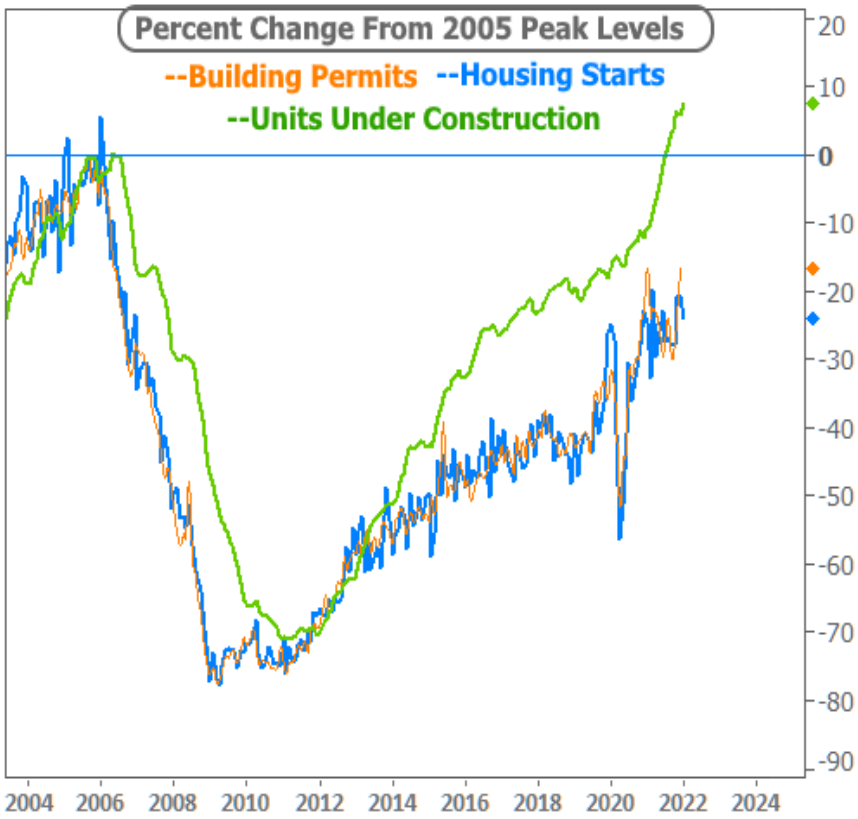
In terms of broad housing market momentum, we have yet to see the impact of the rising rate environment on January's data. Both sales and construction remained very strong.

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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 |
|---|---|---|---|---|
| **Tuesday, Feb 15** | | | | |
| 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 |
| **Wednesday, Feb 16** | | | | |
| 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 | | | |
| **Thursday, Feb 17** | | | | |
| 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 |
| **Friday, Feb 18** | | | | |
| 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 |
| **Tuesday, Feb 22** | | | | |
| 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

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| Date | Event | Actual | Forecast | Prior |
|---|---|---|---|---|
| **Wednesday, Feb 23** | | | | |
| 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 | | |
| **Thursday, Feb 24** | | | | |
| 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 | | |
| **Friday, Feb 25** | | | | |
| 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?

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.

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