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## Weekly Newsletter

Provided to you by  
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## Weekly Review

The stock market resumed its bullish ways to end the week higher on firming oil prices and softer than anticipated inflation news. The feeble inflation data coupled with disappointing economic news also helped to push Treasury prices higher and yields lower for the week.

Retail Sales for June fell for the second straight month, coming in below expectations at -0.2%. Economists had forecast June sales growth of 0.1%. This weaker consumer spending will also have a negative influence on upcoming GDP models for the second quarter. The Atlanta Fed's GDPNow model forecast moved lower on Friday to 2.4% from 2.6% on Tuesday following the Retail Sales report. Consumer sentiment is also sliding lower with the preliminary July reading of the University of Michigan's Consumer Sentiment Index falling to 93.1 when analysts were expecting 95.1.

Core inflation at both the producer and consumer levels was reported below consensus forecasts at 0.1%. Economists had expected core inflation at 0.2% for both. This may cause the Federal Reserve to think twice about raising interest rates in December when Fed watchers next expect a rate hike. In fact, Fed Chair Janet Yellen during her Wednesday testimony before the House Financial Services Committee referred to the recent weakness seen in inflation data by stating "monetary policy is not on a preset course" and "the Committee will be monitoring inflation developments closely in the months ahead." Also, Dallas Fed President and FOMC voting member Robert Kaplan stated he wants "greater evidence" of rising inflation before hiking rates again.

There were no economic reports from the housing sector other than the latest mortgage application data. Application volume decreased during the week ending July 7. The Mortgage Bankers Association (MBA) reported their overall seasonally adjusted Market Composite Index (application volume) fell 7.4%. The seasonally adjusted Purchase Index decreased 3.0% from the prior week while the Refinance Index decreased 13% to its lowest level since last January.

Overall, the refinance portion of mortgage activity decreased to 42.1% of total applications from 44.9% in the prior week. The adjustable-rate mortgage share of activity decreased to 6.7% of total applications from 7.2%. According to the MBA, the average contract interest rate for 30-year fixed-rate mortgages with a conforming loan balance increased to 4.22% from 4.20% with points increasing to 0.40 from 0.31.

For the week, the FNMA 3.5% coupon bond gained 21.9 basis points to close at \$102.63. The 10-year Treasury yield decreased 5.37 basis points to end at 2.3319%. Stocks ended the week moderately higher.

The Dow Jones Industrial Average rose 223.40 points to close at 21,637.74. The NASDAQ Composite Index advanced 159.39 points to close at 6,312.47 and the S&P 500 Index gained 34.09 points to close at 2,459.27. Year to date on a total return basis, the Dow Jones Industrial Average has gained 9.49%, the NASDAQ Composite Index has advanced 17.26%, and the S&P 500 Index has risen 9.85%.

This past week, the national average 30-year mortgage rate fell to 4.06% from 4.13%; the 15-year mortgage rate decreased to 3.34% from 3.38%; the 5/1 ARM mortgage rate increased to 3.22% from 3.20%; and the FHA 30-year rate was unchanged at 3.75%. Jumbo 30-year rates decreased to 4.35% from 4.40%.

## Economic Calendar - for the Week of July 17, 2017

Economic reports having the greatest potential impact on the financial markets are highlighted in bold.

Date	Time ET	Event /Report /Statistic	For	Market Expects	Prior
<b>Jul 17</b>	<b>08:30</b>	<b>NY Empire State Manufacturing Index</b>	<b>Jul</b>	<b>13.0</b>	<b>19.8</b>
Jul 18	08:30	Export Prices excluding agriculture	Jun	NA	-0.6%
Jul 18	08:30	Import Prices excluding oil	Jun	NA	0.0%
Jul 18	10:00	NAHB Housing Market Index	July	67	67
Jul 18	16:00	Net Long-Term TIC Flows	Jul	NA	\$1.8B
Jul 19	07:00	MBA Mortgage Applications Index	07/15	NA	-7.4%
<b>Jul 19</b>	<b>08:30</b>	<b>Building Permits</b>	<b>Jun</b>	<b>1,160K</b>	<b>1,092K</b>
<b>Jul 19</b>	<b>08:30</b>	<b>Housing Starts</b>	<b>Jun</b>	<b>1,196K</b>	<b>1,168K</b>
<b>Jul 19</b>	<b>10:30</b>	<b>Crude Oil Inventories</b>	<b>07/15</b>	<b>NA</b>	<b>-7.56M</b>
<b>Jul 20</b>	<b>08:30</b>	<b>Philadelphia Fed Manufacturing Index</b>	<b>Jul</b>	<b>22.0</b>	<b>27.6</b>
<b>Jul 20</b>	<b>08:30</b>	<b>Initial Jobless Claims</b>	<b>07/15</b>	<b>245,000</b>	<b>247,000</b>
Jul 20	08:30	Continuing Jobless Claims	07/08	NA	1,945K
Jul 20	10:00	Index of Leading Economic Indicators	Jun	0.4%	0.3%

# Mortgage Rate Forecast with Chart - FNMA 30-Year 3.5% Coupon Bond

The FNMA 30-year 3.5% coupon bond (\$102.63, +21.9 bp) traded within a 56 basis point range between a weekly intraday low of \$102.36 on Monday and a weekly intraday high of \$102.92 on Friday before closing the week higher at \$102.63.

Bond prices rallied on Wednesday and then attempted a substantial rally on Friday before selling off hard after prices were unable to break above a dual layer of overhead resistance. Friday's trading action resulted in a "shooting star" candlestick – a potential bearish reversal signal. This suggests the bond will likely test technical support before attempting any move higher. Contrary to this signal is the presence of a positive stochastic crossover buy signal from an oversold position.

The bond is poised to continue a little lower for a test of support at the key 100-day moving average. If this level holds, mortgage rates should hold steady and may improve slightly in the coming week. However, if the 100-day moving average is breached to the downside, bond prices would move lower resulting slightly worse mortgage rates.

