



Your Trusted **Source** for Mortgage Market Intelligence



Weekly Newsletter

Provided to you by
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Weekly Review

Concerns over international trade, a decline in oil prices, and political ramifications from the mid-term election led to stock market weakness triggering an investor flight to “safety” in Treasury bonds resulting in a sharp drop in yields.

News of a circulating draft from the White House for plans to implement new tariffs on auto imports sparked a sell-off in stocks last Monday as traders believed there would be significant negative implications for domestic auto manufacturing if international supply chains were interrupted.

Tuesday, crude oil prices suffered their worst intraday decline since 2011 after President Trump criticized Saudi Arabia following their announcement of plans to cut crude oil exports by five hundred thousand barrels a day next month. The Trump Administration has voiced concerns about high oil prices and doesn’t want to see global oil markets “overheat.” Also on Tuesday, shares of financial stocks took a hit after Representative Maxine Waters, the apparent incoming head of the House Financial Services Committee, announced “the days of this committee weakening bank regulations” were coming to an end.

Thursday, there was news detailing efforts to resuscitate trade talks between the U.S. and China ahead of the upcoming G-20 meeting. National Economic Council Director Larry Kudlow confirmed the U.S. and China have resumed trade discussions, and a Financial Times report suggested the U.S. and China are trying to reach a truce in the trade war ahead of the G-20 meeting scheduled for November 30 – December 1. Also on Thursday, a poor reception to Great Britain Prime

Minister Theresa May's draft plan for the UK's departure from the European Union (Brexit) resulted in a potential leadership crisis in the UK that alarmed international investors. In a surprise move, Brexit secretary Dominic Raab and a couple of cabinet ministers resigned after approving the plan. This will result in a meeting likely scheduled this week to determine if there will be a vote of no-confidence in Prime Minister Theresa May.

Friday, President Trump stated Chinese officials had sent him a list of 142 steps they were willing to take for a trade deal, which was "pretty complete." The U.S. has threatened to impose tariffs on all Chinese imports and raise the tariff rate from 10% to 25% on January 1, 2019, if progress is not made in negotiations.

In housing Tuesday, CoreLogic released its Loan Performance Insights Report for August showing the overall mortgage delinquency rate in the U.S. declined to its lowest level in more than 12 years.



On a national basis, the report shows 4% of mortgages were in some stage of delinquency during August (30 days or more past due, including those in foreclosure) representing a 0.6% point drop in the overall delinquency rate compared with August 2017, when it was 4.6%. The foreclosure inventory rate measuring the share of mortgages in some stage of the foreclosure process was 0.5%, down 0.1% since August 2017.

The rate for early-stage delinquencies (30 to 59 days past due) was 1.8%, down from 2% in August 2017. The portion of mortgages that were 60 to 89 days past due was 0.6%, down from 0.7% in August 2017. The serious delinquency rate (90 days or more past due including loans in foreclosure) was 1.5%, down from 1.9% in August 2017. This serious delinquency rate was the lowest for August since 2006 when it was 1.4% and was the lowest for any month since March 2007 when it was also 1.5%.

As for mortgages, the latest data from the Mortgage Bankers Association's (MBA) weekly mortgage applications survey showed the number of mortgage applications declined from the prior week. The MBA reported their overall seasonally adjusted Market Composite Index (application volume) fell 3.2% for the week ended November 9, 2018. The seasonally adjusted Purchase Index decreased 2.3% from the week prior while the Refinance Index fell 4.3% to reach its lowest level since December 2000.

Overall, the refinance portion of mortgage activity increased to 39.4% from 39.1% of total applications from the prior week. The adjustable-rate mortgage share of activity decreased to 7.7% from 7.8% of total applications.

According to the MBA, the average contract interest rate for 30-year fixed-rate mortgages with a conforming loan balance increased to 5.17% from 5.15% with points increasing to 0.55 from 0.51 for 80 percent loan-to-value ratio (LTV) loans.

For the week, the FNMA 4.0% coupon bond gained 71.9 basis points to close at \$100.313 while the 10-year Treasury yield decreased 11.55 basis points to end at 3.0738%. The Dow Jones Industrial Average dropped 576.08 points to close at 25,413.22. The NASDAQ Composite Index fell 159.03 points to close at 7,247.87. The S&P 500 Index lost 44.74 points to close at 2,736.27. Year to date on a total return basis, the Dow Jones Industrial Average has gained 2.81%, the NASDAQ Composite Index has gained 4.99%, and the S&P 500 Index has added 2.34%.

This past week, the national average 30-year mortgage rate fell to 4.94% from 5.05%; the 15-year mortgage rate decreased to 4.44% from 4.53%; the 5/1 ARM mortgage rate was unchanged at 4.71% while the FHA 30-year rate decreased to 4.47% from 4.57%. Jumbo 30-year rates decreased to 4.57% from 4.61%.

Economic Calendar - for the Week of November 19, 2018

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
Nov 19	10:00	NAHB Housing Market Index	Nov	68	68
Nov 20	08:30	Housing Starts	Oct	1,230K	1,201K
Nov 20	08:30	Building Permits	Oct	1,260K	1,241K
Nov 21	07:00	MBA Mortgage Applications Index	11/17	NA	-3.2%
Nov 21	08:30	Durable Goods Orders	Oct	-2.6%	0.8%
Nov 21	08:30	Durable Goods Orders excluding transportation	Oct	0.4%	0.1%
Nov 21	08:30	Initial Jobless Claims	11/17	215,000	216,000
Nov 21	08:30	Continuing Jobless Claims	11/10	NA	1,676K
Nov 21	10:00	Index of Leading Economic Indicators	Oct	0.1%	0.5%
Nov 21	10:00	Final Univ. of Michigan Consumer Sentiment Index	Nov	98.3	98.3
Nov 21	10:00	Existing Home Sales	Oct	5.20M	5.15M
Nov 21	10:30	Crude Oil Inventories	11/17	NA	+10.3M

Mortgage Rate Forecast with Chart - FNMA 30-Year 4.0% Coupon Bond

The FNMA 30-year 4.0% coupon bond (\$100.313, +71.9bp) traded within a wider 76.6 basis point range between a weekly intraday high \$100.313 on Friday and a weekly intraday low of 99.547 on Tuesday before closing the week at \$100.313 on Friday – at the weekly high price.

Mortgage bond prices underwent a solid move higher as the stock market encountered weakness, and in the process, moved back above the 25-day moving average support level at \$99.9438. The bond is not yet “overbought” and should continue higher this coming week to test overhead resistance at the 50-day moving average located at \$100.4188. If this scenario plays out, mortgage rates should remain stable and may improve slightly.

