



Provided to you by
Lee McLain

Lee McLain
First Federal Bank of
Kansas City
816.728.7700
lee.mclain@ffbkc.com
NMLS:680316



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Weekly Review

The stock market suffered sizeable losses this past week as several sectors entered bear markets led by the so-called FAANG stocks (Facebook, Amazon.com, Apple, Netflix, and Google parent Alphabet) that ended the week off more than 20% from their recent highs. Crude oil has also entered into a bear market over the past three weeks crashing below \$51 per barrel. At least this should result in lower gasoline prices making holiday travel less expensive.

The week's economic data were generally sub-par. Wednesday, core Durable Goods Orders (orders excluding the volatile aircraft and defense sectors) were approximately flat in October following a decline in September that was larger than originally forecast. Weekly jobless claims also increased to their highest levels since summer while the University of Michigan's Consumer Sentiment Index declined more than forecast.

Measures of manufacturing and services activity from the IHS Markit Flash U.S. PMI report released Friday also missed expectations. The Flash U.S. Composite Output Index fell to 54.4 from 54.9 in October, a 2-month low. The Flash U.S. Services Business Activity Index fell to 54.4 from 54.8 in October, another 2-month low. The Flash U.S. Manufacturing PMI dropped to 55.4 from 55.7 in October, a 3-month low, and the Flash U.S. Manufacturing Output Index dropped to 54.5 from 55.2 in October, another 3-month low. The one bright spot for the week was the Existing Homes Sales report showing sales increasing more than expected to snap a six-month record of declines.

Tuesday, the Census Bureau released its October Housing Starts, Permits, and Completions report. Housing Starts increased 1.5% month-over-month in October to a seasonally adjusted annual rate of 1.228 million units from an upwardly revised 1.210 million in September.



Building Permits fell slightly by 0.6% to a seasonally adjusted annual rate of 1.263 million from an upwardly revised 1.270 million in September.

Single-unit housing starts were lower across all regions except in the Northeast where starts rose by 14.8%. Single-unit permits were up 10.9% in the Northeast and were 0.9% higher in the South. However, they were 2.5% lower in the Midwest and were down 5.5% in the West.

The 1.137 million units under construction at the end of the period was 1.1% above the third quarter

average and will register as a positive input in 4th Quarter GDP forecasts. Yet, single-unit permits were down 0.6% while starts were 1.8% lower month-over-month and they were respectively down 0.6% and 2.6% on a year-over-year basis.

Wednesday, the National Association of Realtors (NAR) reported Existing Home Sales increased 1.4% month-over-month in October to a seasonally adjusted annual rate of 5.22 million. The October reading represented the first month-over-month increase in seven months. Year-over-year, total sales were 5.1% lower.



The median existing home price for all housing types increased 3.8% year-over-year to \$255,400 – the 80th consecutive month of year-over-year gains. The median existing single-family home price rose 4.3% year-over-year to \$257,900.

Regionally, median home prices were +3.0% to \$280,900 in the Northeast; +2.4% to \$197,000 in the Midwest; +3.8% to \$221,600 in the South; and +1.9% to \$382,900 in the West.

Single-family home sales were up 0.9% month-over-month at a seasonally adjusted annual rate of 4.62 million but were 5.3% below the year-ago sales rate. Unsold

inventory is at a 4.3-months' supply versus 4.4 months in September. This is below the 6.0-months' supply typically associated with a more balanced market. First-time buyers made up 31% of sales in October, down from 32% in September and 32% one year ago.

As for mortgages, the latest data from the Mortgage Bankers Association's (MBA) weekly mortgage applications survey showed the number of mortgage applications declined slightly from the prior week. The MBA reported their overall seasonally adjusted Market Composite Index (application volume) fell 0.1% for the week ended November 16, 2018. The seasonally adjusted Purchase Index increased 3% from the week prior while the Refinance Index fell 5% to reach its lowest level since December 2000.

Overall, the refinance portion of mortgage activity decreased to 38.5% from 39.4% of total applications from the prior week. The adjustable-rate mortgage share of activity decreased to 7.3% from 7.7% of total applications.

According to the MBA, the average contract interest rate for 30-year fixed-rate mortgages with a conforming loan balance decreased to 5.16% from 5.17% with points decreasing to 0.48 from 0.55 for 80 percent loan-to-value ratio (LTV) loans.

For the week, the FNMA 4.0% coupon bond lost 7.9 basis points to close at \$100.234 while the 10-year Treasury yield decreased 2.8 basis points to end at 3.0460%. The Dow Jones Industrial Average lost 1,127.27 points to close at 24,285.95. The NASDAQ Composite Index fell 308.89 points to close at 6,938.98. The S&P 500 Index dropped 103.71 points to close at 2,632.56. Year to date on a total return basis, the Dow Jones Industrial Average has lost 1.75%, the NASDAQ Composite Index has gained 0.52%, and the S&P 500 Index has dropped 1.54%.

This past week, the national average 30-year mortgage rate remained unchanged at 4.94%; the 15-year mortgage rate decreased to 4.43% from 4.44%; the 5/1 ARM mortgage rate rose to 4.75% from 4.71% while the FHA 30-year rate decreased to 4.45% from 4.47%. Jumbo 30-year rates increased to 4.58% from 4.57%.

Economic Calendar - for the Week of November 26, 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 27	09:00	Case-Shiller 20-city Index	Sept	5.3%	5.5%
Nov 27	09:00	FHFA Housing Price Index	Sept	NA	0.3%
Nov 27	10:00	Consumer Confidence Index	Nov	135.5	137.9
Nov 28	07:00	MBA Mortgage Applications Index	11/24	NA	-0.1%
Nov 28	08:30	Second Estimate for 3 rd Qtr. GDP	Qtr. 3	3.6%	3.5%
Nov 28	08:30	Second Estimate for 3 rd Qtr. GDP Deflator	Qtr. 3	1.4%	1.7%
Nov 28	08:30	Advance International Trade in Goods	Oct	NA	-\$76.0B
Nov 28	08:30	Advance Retail Inventories	Oct	NA	0.1%
Nov 28	08:30	Advance Wholesale Inventories	Oct	NA	0.3%
Nov 28	10:00	New Home Sales	Oct	575,000	553,000
Nov 28	10:30	Crude Oil Inventories	11/24	NA	+4.9M
Nov 28	14:00	FOMC Minutes	Nov	NA	NA
Nov 29	08:30	Personal Income	Oct	0.4%	0.2%
Nov 29	08:30	Personal Spending	Oct	0.4%	0.4%
Nov 29	08:30	PCE Prices	Oct	NA	0.1%
Nov 29	08:30	Core PCE Prices	Oct	0.2%	0.2%
Nov 29	08:30	Initial Jobless Claims	11/24	218,000	224,000
Nov 29	08:30	Continuing Jobless Claims	11/17	NA	1,668K
Nov 29	10:00	Pending Home Sales	Oct	0.7%	0.5%
Nov 30	09:45	Chicago Purchasing Managers Index (PMI)	Nov	58.0	58.4

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

The FNMA 30-year 4.0% coupon bond (\$100.234, -7.9bp) traded within a narrower 26.5 basis point range between a weekly intraday high of \$100.328 on Monday and a weekly intraday low of 100.063 on Wednesday before closing the week at \$100.234 on Friday.

Mortgage bond prices moved up into an “overbought” position while bouncing back toward the 50-day moving average resistance level last Friday. The chart suggests we could see some range-bound “sideways” movement between the 25-day and 50-day moving averages this coming week which should provide a stable mortgage rate environment.

