



Your Trusted **Source** for Mortgage Market Intelligence



Weekly Newsletter

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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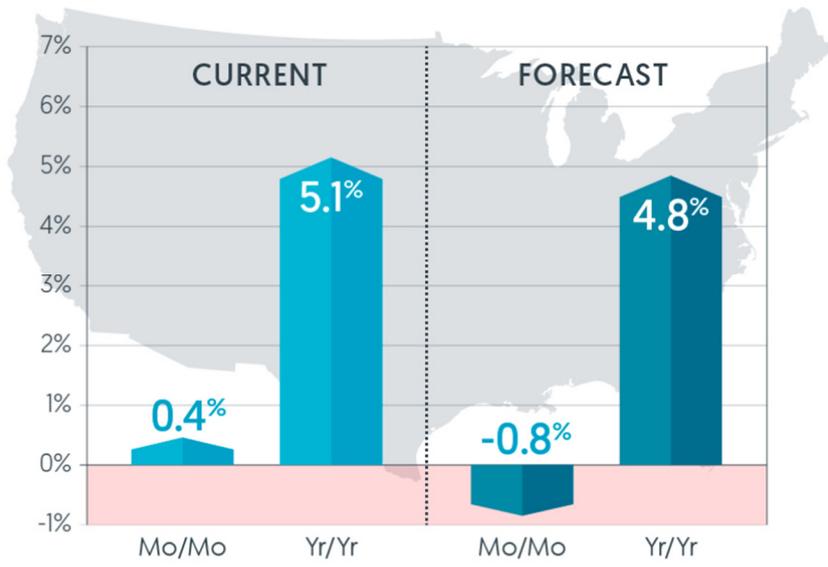
Weekly Review

Significant stock market volatility continued this past week with sharp swings lower and higher, most notably on Thursday and Friday. The stock market began the week to the upside on Monday, December 31 after President Trump released a tweet he and President Xi Jinping of China had made “big progress” in trade talks. However, some weak economic data out of China ignited investor concerns to send stock indexes sharply lower when trading opened on Wednesday. The downward move was temporary though as the market rallied during the afternoon to close modestly higher.

Pronounced market volatility continued on Thursday and Friday. After Wednesday’s market close, Apple CEO Tim Cook warned investors in a letter that the company was lowering its quarterly revenue guidance for the first time in 15 years. The company lowered its sales forecast from earlier estimates of \$89 billion to \$93 billion to \$84 billion for the quarter ended December 29. In response, Apple shares plunged as much as 10% on Thursday, pulling the large-cap indexes sharply lower.

Friday, a blockbuster Jobs Report for December and favorable commentary from Federal Reserve Chairman Jerome Powell reversed investor sentiment sparking a strong rally in stocks while pushing bond prices lower and yields higher. However, despite surging Friday in response to the Jobs Report and Powell’s commentary, Treasury yields ended the week lower as investors pursued safe-haven assets in light of the continued volatility in equity markets.

Wednesday in housing news, CoreLogic® released its Home Price Index (HPI) and HPI Forecast for November 2018, showing home prices increased both year-over-year and month-over-month.

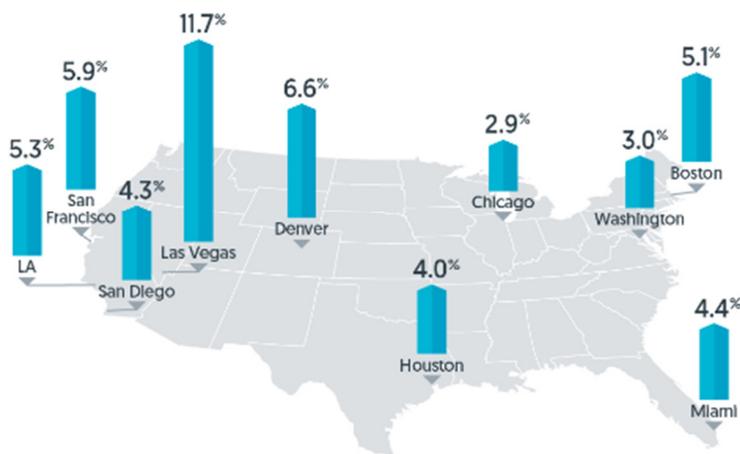


Home prices increased nationally by 5.1% year-over-year from November 2017. On a month-over-month basis, prices increased by 0.4% in November 2018.

As for the future, the CoreLogic HPI Forecast predicts home prices will increase by 4.8% on a year-over-year basis from November 2018 to November 2019.

On a month-over-month basis, home prices are forecast to decrease by 0.8% from November to December 2018.

Price gains in metropolitan cities show Las Vegas continues to surge with a gain of 11.7% followed by Denver with a gain of 6.6%. The Western Region from the Rockies to the West Coast show the largest gains compared to the remainder of the country.



As for mortgages, the latest data from the Mortgage Bankers Association's (MBA) weekly mortgage applications survey showed the number of mortgage applications decreased from the prior week.

The MBA reported their overall seasonally adjusted Market Composite Index (application volume) decreased 9.8% for the week ended December 28, 2018.

The seasonally adjusted Purchase Index decreased 8% from two

weeks prior while the Refinance Index decreased 12%.

Overall, the refinance portion of mortgage activity decreased to 42.7% from 43.6% of total applications from the prior week. The adjustable-rate mortgage share of activity was unchanged at 7.6% 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 4.84% from 4.86% with points decreasing to 0.42 from 0.47 for 80 percent loan-to-value ratio (LTV) loans.

For the week, the FNMA 4.0% coupon bond gained 26.6 basis points to close at \$102.063 while the 10-year Treasury yield decreased 5.0 basis points to end at 2.668%. The Dow Jones Industrial Average gained 370.76 points to close at 23,433.16. The NASDAQ Composite Index added 154.34 points to close at 6,738.86. The S&P 500 Index advanced 46.20 points to close at 2,531.94. Year to date (2019) on a total return basis, the Dow Jones Industrial Average has added 0.45%, the NASDAQ Composite Index has gained 1.56%, and the S&P 500 Index has grown 1.00%.

This past week, the national average 30-year mortgage rate dropped to 4.54% from 4.63%; the 15-year mortgage rate declined to 4.11% from 4.19%; the 5/1 ARM mortgage rate fell to 4.40% from 4.59% while the FHA 30-year rate dropped to 4.17% from 4.22%. Jumbo 30-year rates decreased to 4.32% from 4.39%.

Economic Calendar - for the Week of January 7, 2019

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
Jan 07	10:00	ISM Non-Manufacturing (Services) Index	Dec	58.8	60.7
Jan 08	06:00	NFIB Small Business Optimism Index	Dec	NA	104.8
Jan 08	10:00	JOLTS Report on Job Openings	Nov	NA	7.079M
Jan 08	15:00	Consumer Credit	Nov	\$18.0B	\$25.4B
Jan 09	07:00	MBA Mortgage Applications Index	01/05	NA	-8.5%
Jan 09	10:30	EIA Crude Oil Inventories	01/05	NA	UNCH
Jan 09	14:00	Federal Reserve FOMC Meeting Minutes	Dec	NA	NA
Jan 10	08:30	Initial Jobless Claims	01/05	225K	231K
Jan 10	08:30	Continuing Jobless Claims	12/29	NA	1740K
Jan 11	08:30	Consumer Price Index (CPI)	Dec	-0.1%	0.0%
Jan 11	08:30	Core CPI	Dec	0.2%	0.2%
Jan 11	14:00	Treasury Budget	Dec	NA	-\$23.2B

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

The FNMA 30-year 4.0% coupon bond (\$102.063, +26.6 bp) traded within a wider 75.0 basis point range between a weekly intraday high of \$102.469 on Thursday and a weekly intraday low of 101.719 on Monday before closing the week at \$102.063 on Friday.

Mortgage bond prices surged above resistance Monday through Thursday (excluding New Year's Day on Tuesday when the markets were closed) then backed off on Friday when the stock market reversed direction with a sharp rally. Mortgage bonds remain extremely overbought and susceptible to a slide lower toward former resistance that is now nearest technical support at the 61.8% Fibonacci retracement level (\$101.856). If the stock market can continue to regain its footing this week, mortgage bond prices could be pressured lower as money flows out of bonds and back into stocks. There was a sell signal on Friday from a negative stochastic crossover and if this signal proves accurate bond prices will move lower toward support. Should this scenario play out, mortgage rates could move slightly higher.

