



Michael Nelson
Finance of America
Mortgage Advisor
mnelson@efficientlending.net
NMLS #1314188
Direct: 720.213.6260
<https://efficientlending.net>



Weekly Newsletter

Newsletter - 2/25/2019

Weekly Review

The major stock market indexes recorded modest gains during this past holiday-shortened trading week (President's Day) despite some disappointing economic data. Investors were encouraged Wednesday following the release of minutes from the Federal Open Market Committee's (FOMC) January meeting. The minutes suggested the Fed will continue to be patient and take a "wait and see" approach for future rate hikes. Fed policymakers also indicated they would stop reducing the assets on the central bank's balance sheet by the end of the year, thus ending the process that has slowly been removing liquidity from the financial system since late 2017.

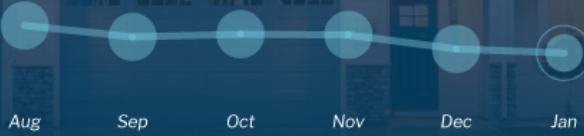
Investors also noticed trade talks between the U.S. and China are progressing to a higher level with a meeting scheduled Friday between President Trump and Chinese Vice-Premier Liu He, China's top trade negotiator. Also, Bloomberg reported U.S. and Chinese trade officials have begun drafting language on multiple memorandums of understanding containing proposed Chinese reforms that would lead to a final trade deal – a deal China would like to solidify by March 1, when the U.S. is set to raise tariffs to 25% from 10% on \$200 billion in Chinese-made goods.

The week's economic data were mostly disappointing. Durable Goods Orders, excluding transportation, slowed in December, continuing a pattern of decelerating business investment. Also, the Philadelphia Fed Manufacturing Index for February surprised to the downside by falling to -4.1 when a consensus forecast had called for a reading of 12.0. On the positive side, weekly jobless claims at 216,000 were less than an expected 225,000, and IHS Markit's gauge of service sector activity surprised to the upside.

Thursday, the National Association of Realtors (NAR) reported Existing Home Sales declined by 1.2% month-over-month in January to a seasonally-adjusted annual rate of 4.94 million from an upwardly revised 5.00 million in December. The consensus forecast was for 5.05 million. January marked the third consecutive month of declining sales and total sales were 8.5% lower than the same period a year ago.



4.94M



M/M

-1.2%

Y/Y

-8.5%

Price

\$247,500

Median Price for USA

Supply

3.9
months

Existing home sales in January were weak compared to historical norms; however, they are likely to have reached a cyclical low. Moderating home prices combined with gains in household income will boost housing affordability, bringing more buyers to the market in the coming months.

- Lawrence Yun
Chief Economist



Source: <https://www.nar.realtor>

The median existing home price for all housing types increased 2.8% year-over-year to \$247,500, the 83rd consecutive month of year-over-year gains. The median existing single-family home price increased 3.1% year-over-year to \$249,400.

Regionally, Existing Home Sales were +2.9% in the Northeast; -2.5% in the Midwest; -1.0% in the South; and -2.9% in the West. Regional median home prices were +0.4% to \$270,000 in the Northeast; +1.4% to \$189,700 in the Midwest; +2.5% to \$214,800 in the South; and +2.9% to \$374,600 in the West. Single-family home sales were down 1.8% month-over-month to a seasonally adjusted annual rate of 4.37 million, and were down 8.4% year-over-year. Inventory of homes for sale is rising. Homes for sale at the end of January increased to 1.59 million from 1.53 million in December, and inventory is up 4.6% from a year ago. At the current sales rate, unsold inventory is at a 3.9-months supply versus 3.7 months in December.

Elsewhere, mortgage data from the Mortgage Bankers Association (MBA) showed the number of mortgage applications increased from the prior week. The MBA reported their overall seasonally adjusted Market Composite Index (application volume) increased 3.6% for the week ended February 15, 2019. The seasonally adjusted Purchase Index increased 2% from a week prior while the Refinance Index increased 6%.

Overall, the refinance portion of mortgage activity decreased to 41.7% from 41.8% of total applications from the prior week. The adjustable-rate mortgage share of activity was unchanged at 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 increased to 4.66% from 4.65% with points decreasing to 0.42 from 0.43 for 80 percent loan-to-value ratio (LTV) loans.

For the week, the FNMA 4.0% coupon bond gained 12.5 basis points to close at \$102.141 while the 10-year Treasury yield decreased 1.0 basis point to end at 2.654%. The Dow Jones Industrial Average gained 148.56 points to close at 26,031.81. The NASDAQ Composite Index added 55.13 points to close at 7,527.54. The S&P 500 Index advanced 17.07 points to close at 2,792.67. Year to date (2019) on a total

return basis, the Dow Jones Industrial Average has added 11.59%, the NASDAQ Composite Index has gained 13.45%, and the S&P 500 Index has advanced 11.40%.

This past week, the national average 30-year mortgage rate fell to 4.45% from 4.49%; the 15-year mortgage rate decreased to 4.05% from 4.10%; the 5/1 ARM mortgage rate dropped to 4.36% from 4.39% while the FHA 30-year rate decreased to 4.13% from 4.18%. Jumbo 30-year rates decreased to 4.29% from 4.34%.

Economic Calendar - for the Week of February 25, 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
Feb 25	10:00	Wholesale Inventories	Dec	0.4%	0.3%
Feb 26	08:00	S&P Case-Shiller Home Price Index	Dec	4.5%	4.7%
Feb 26	08:30	Housing Starts	Dec	1,254K	1,256K
Feb 26	08:30	Building Permits	Dec	1,290K	1,328K
Feb 26	09:00	FHFA Housing Price Index	Dec	NA	0.4%
Feb 26	10:00	Consumer Confidence Index	Feb	125.0	120.2
Feb 27	07:00	MBA Mortgage Applications Index	02/23	NA	3.6%
Feb 28	08:30	Advance International Trade in Goods	Jan	NA	NA
Feb 28	08:30	Advance Retail Inventories	Jan	NA	NA
Feb 28	08:30	Advance Wholesale Inventories	Jan	NA	NA
Feb 27	10:00	Factory Orders	Dec	1.0%	-0.6%
Feb 27	10:00	Fed Chair Semi-Annual Monetary Policy Test.	Feb	NA	NA
Feb 27	10:00	Pending Home Sales	Jan	-0.4%	-2.2%
Feb 27	10:30	EIA Crude Oil Inventories	02/23	NA	+3.7M
Feb 28	08:30	Advance Gross Domestic Product (GDP)	Qtr. 4	2.3%	3.4%
Feb 28	08:30	Advance GDP Deflator	Qtr. 4	1.7%	1.8%
Feb 28	08:30	Initial Jobless Claims	02/23	221,000	216,000
Feb 28	08:30	Continuing Jobless Claims	02/16	NA	1,725K
Feb 28	08:30	Chicago Purchasing Managers Index (PMI)	Feb	57.5	56.7
Mar 01	08:30	Personal Income	Dec	0.3%	0.2%
Mar 01	08:30	Personal Spending	Dec	-0.2%	0.4%
Mar 01	08:30	Personal Income	Jan	0.3%	NA
Mar 01	10:00	ISM Manufacturing Index	Feb	56.0	56.6
Mar 01	10:00	Final Univ. of Michigan Consumer Sentiment Index	Feb	95.6	95.5

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

The FNMA 30-year 4.0% coupon bond (\$102.141, +12.5) traded within a narrower 26.5 basis point range between a weekly intraday low of \$101.969 on Thursday and a weekly intraday high of 102.234 on Friday before closing the week at \$102.141 on Friday.

Mortgage bond prices trended sideways during the week along the path of the 25-day moving average support line. Price softness in the middle of the week generated a weak sell signal on Friday from a slow stochastic crossover signal. This suggests mortgage bond prices will again test dual support levels as shown in the chart below with a likely outcome of trending sideways resulting in stable mortgage rates showing little change.

