



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



Weekly Newsletter

Post Newsletter - 2/19/2019

Weekly Review

The major stock market indexes recorded gains for the eighth consecutive week and were mostly powered by investor optimism that a trade deal would be forged between the U.S. and China before the March 1 deadline set by the U.S. to raise tariffs on \$200 billion of Chinese goods to 25% from the current 10%. This past Tuesday, President Trump remarked that he is open to extending the deadline if the two countries are close to reaching an agreement by the beginning of March. However, Larry Kudlow, the National Economic Council Director, stated no decision to extend the deadline has yet been made.

In economic news, the Commerce Department reported on Thursday that retail sales fell 1.2% in December – the largest monthly drop since September 2009. Consensus expectations were for a 0.2% gain in retail sales. Also on Thursday, the Labor Department reported an unexpected rise in weekly jobless claims to 239,000 when only 225,000 claims were expected. However, the latest round of inflation data was encouraging as it showed limited upward pressure on prices with the Consumer Price Index (CPI) coming in flat at 0.0% for January with the Core CPI at 0.2% to match expectations. On a year-over-year basis the CPI has increased just 1.6%. Meanwhile, the Producer Price Index (PPI) fell 0.1% in January with the Core PPI rising 0.3%.

In housing, mortgage data from the Mortgage Bankers Association (MBA) showed the number of mortgage applications decreased from the prior week. The MBA reported their overall seasonally adjusted Market Composite Index (application volume) decreased 3.7% for the week ended February 8, 2019. The seasonally adjusted Purchase Index decreased 6% from a week prior while the Refinance Index decreased 0.1%.

Overall, the refinance portion of mortgage activity increased to 43.2% from 41.6% of total applications from the prior week. The adjustable-rate mortgage share of activity decreased to 7.5% of total applications from 7.8% the previous week. According to the MBA, the average contract interest rate for 30-year fixed-rate mortgages with a conforming loan balance decreased to 4.65% from 4.69% with points decreasing to 0.43 from 0.45 for 80 percent loan-to-value ratio (LTV) loans.

For the week, the FNMA 4.0% coupon bond fell 28.1 basis points to close at \$102.016 while the 10-year Treasury yield increased 3.0 basis points to end at 2.664%. The Dow Jones Industrial Average gained 776.92 points to close at 25,883.25. The NASDAQ Composite Index added 174.21 points to close at 7,472.41. The S&P 500 Index advanced 67.72 points to close at 2,775.60. Year to date (2019) on a total return basis, the Dow Jones Industrial Average has added 10.96%, the NASDAQ Composite Index has gained 12.62%, and the S&P 500 Index has advanced 10.72%.

This past week, the national average 30-year mortgage rate rose to 4.49% from 4.44%; the 15-year mortgage rate increased to 4.10% from 4.05%; the 5/1 ARM mortgage rate rose to 4.39% from 4.38% while the FHA 30-year rate increased to 4.18% from 4.13%. Jumbo 30-year rates increased to 4.34% from 4.28%.



Economic Calendar - for the Week of February 18, 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 19	10:00	NAHB Housing Market Index	Feb	59	58
Feb 20	07:00	MBA Mortgage Applications Index	02/16	NA	-3.7%
Feb 20	14:00	FOMC Minutes	Jan	NA	NA
Feb 21	08:30	Durable Goods Orders	Dec	1.3%	0.8%
Feb 21	08:30	Durable Goods Orders excluding transportation	Dec	0.2%	-0.3%
Feb 21	08:30	Initial Jobless Claims	02/16	225,000	239,000
Feb 21	08:30	Continuing Jobless Claims	02/09	NA	1,773K
Feb 21	08:30	Philadelphia Fed Manufacturing Index	Feb	12	17.0
Feb 21	10:00	Existing Home Sales	Jan	5.05M	4.99M
Feb 21	10:00	Index of Leading Economic Indicators	Jan	0.1%	-0.1%
Feb 21	11:00	EIA Crude Oil Inventories	02/16	NA	+3.6M

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

The FNMA 30-year 4.0% coupon bond (\$102.016, -28.1) traded within a narrower 34.3 basis point range between a weekly intraday high of \$102.234 on Monday and a weekly intraday low of 101.891 on Wednesday before closing the week at \$102.016 on Friday.

Mortgage bond prices trended lower to technical support during the week while stocks moved higher and are neither overbought nor oversold. This suggests bond prices this coming week should trade between a triple layer of support highlighted by the 61.8% Fibonacci retracement level (\$101.856) and a dual layer of resistance beginning at \$102.469. Trading between current support and resistance levels with a bias toward slightly higher prices should result in stable mortgage rates or rates moving slightly lower, especially if the stock market encounters stiff resistance and retreats like the chart of the S&P 500 Index shown below suggests. The S&P 500 is likely going to have a tough time moving above the 2,800 mark where a triple top pattern is located.



SP-500 Daily Moving Average 200 Moving Average 50 Moving Average 25 Moving Average 100

