

# MORTGAGE MARKET GUIDE

JANUARY 2016



**KEVIN JONES**

c. 404.579.9802 o. 404.553.2915  
kevin.jones@lionbank.com  
NMLS#221245  
Fidelity Bank

**Last Week in Review:** Home prices and consumer confidence are on the rise. Rents are, too.

**Forecast for the Week:** 2016 kicks off with manufacturing and jobs data.



**CRAIG DODD**

c. 678.860.6868 o. 404.237.5000  
craigdodd@atlantafinehomes.com  
Atlanta Fine Homes Sotheby's  
International Realty

## Last Week in Review

"I wish I was homeward bound." Simon and Garfunkel. While home prices continue to post gains throughout the country, potential homebuyers weigh affordability against rapidly rising rent. The good news is ... consumer confidence is up. The S&P/Case-Shiller U.S. 20-city Home Price Index recorded a slightly higher year-over-year gain in October 2015 at 5.5 percent, versus the 5.4 percent reported in September.

San Francisco, Denver and Portland reported the highest year-over-year gains with another month of double-digit price increases of 10.9 percent for all three. Phoenix had the longest streak of year-over-year increases, reporting a gain of 5.7 percent in October 2015, the 11th consecutive increase in annual price gains.

Despite home price increases across the country, rapidly rising rents are making a strong case that it makes more sense to buy. According to RealtyTrac's 2016 Rental Affordability Analysis report, it is currently more affordable to buy rather than rent in 58 percent of the 504 counties analyzed. Rent increases are equal to, or in some cases more than, monthly home payments. Rents also are outpacing weekly wage growth in 57 percent of markets, RealtyTrac's report showed.

Meanwhile, consumer confidence improved in December after a dip in November, according to global research firm The Conference Board. Tuesday's report showed the index hit 96.5 in December, above expectations and up from 92.6 the previous month. This indicates consumers' assessments of the economy and job market remain positive. Looking to 2016, Lynn Franco, Director of Economic Indicators at The Conference Board, said that consumers' "expectations regarding their financial outlook are mixed, but the optimists continue to outweigh the pessimists." At this time, home loan rates continue to hover near historic lows.

## Forecast for the Week

The first full week of 2016 is full of economic data from manufacturing and labor.

- Monday kicks off with manufacturing data from the ISM Index.
- Wednesday's releases include the ADP National Employment Report and ISM Services Index.
- As usual, weekly Initial Jobless Claims will be delivered Thursday.
- Friday brings the market-moving Jobs Report for December, including Hourly Earnings, Average Work Week, Non-farm Payrolls and the Unemployment Rate.

Weak economic news normally causes money to flow out of Stocks and into Bonds, helping Bonds and home loan rates improve. In contrast, strong economic news normally has the opposite result. The chart below shows Mortgage Backed Securities (MBS), which are the type of Bond on which home loan rates are based. When you see these Bond prices moving higher, it means home loan rates are improving. When Bond prices are moving lower, home loan rates are getting worse.

To go one step further, a red "candle" means that MBS worsened during the day, while a green "candle" means MBS improved during the day. Depending on how dramatic the changes are on any given day, this can cause rate changes throughout the day, as well as on the rate sheets we start with each morning. As you can see in the chart below, Bond prices moved lower and held steady as 2015 came to a close. Despite the drop, home loan rates are still just above historic lows.

