November Volatility Shows Up Early And Next Week Could Be Even Crazier

Last week's newsletter warned that it was time to start thinking about incredibly high volatility potential due to events in the first few days of November. But as far as interest rates are concerned, the volatility is already here.

Rates jumped sharply higher to start the new week in a move that still has market watchers scratching their heads. Some analysts pointed to election odds as a catalyst while others thought it had to do with trader positioning in advance of the big ticket events in the coming weeks. Either way, Monday saw mortgage rates jump more than an eighth of a percent-something they almost never do without clearly defined provocation.

After hitting the highest levels in months on Wednesday, there's been a microscopic recovery in the 2nd half of the week. Hopefully, this means rates are content to wait here for the next major source of inspiration.

Why "hopefully?" Because there's never any way to ensure the future will behave as the present suggests when it comes to financial markets. So what can we know? There are a few things.

We know that rates moved a lot higher over the past 4 weeks than the average media coverage suggests. Mainstream weekly surveys only show a spike of about 0.40%. The actual spike in daily average rates was over 0.70%.





Ray Evans Loan Officer, Element Home Loans

www.Elementhl.net P: (470) 481-3947 M: (770) 309-2155 rayevans@elementhl.com

326 Lake Forest Drive Newnan GA 30265 218350



We also know that next week's jobs report (on Friday) is a huge source of potential volatility, for better or worse. Then, in the following week, the election could have an even bigger impact. Top it all off with the Fed's next rate announcement a few days later and the recipe for volatility is clear. As always, remember that volatility goes both ways depending on the outcome of these big ticket events.

Highlights from this week's economic and housing data:

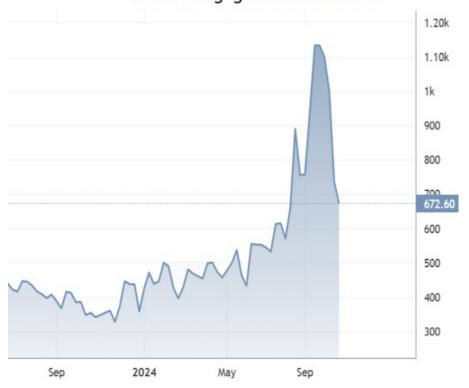
This week's most noticeable bond market reaction came in response the weekly jobless claims data. Initially, it caused yields to rise because claims were lower than expected. But traders also considered that "continuing claims" (those who continued to file for U/E beyond the initial week) rose to the highest level in years.



Existing Home Sales came in lower than expected and have generally been bouncing along the lowest levels since the Great Financial Crisis more than a decade ago.

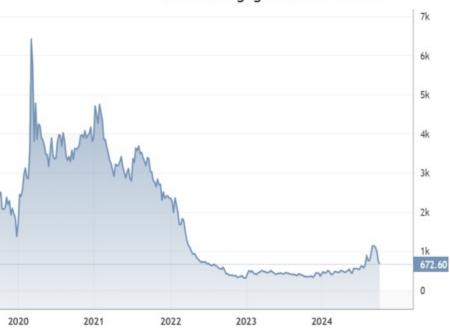


Weekly mortgage application data has been in the news recently due to surge in September as rates dropped. The refi index quickly shifted back toward those lower levels as rates have spiked in October.



MBA Mortgage Refinance Index

As dramatic as the chart above may seem, everything is happening on a micro scale for refinance applications these days compared to the past refi waves.



MBA Mortgage Refinance Index