

HOUSING NEWSLETTER

The Week's Most Important Housing News

A message from Tan & Samantha Tunador:

If you are ready to explore homeownership, let's open up a conversation to help you navigate the best route for you with down payment & monthly payment options. Finance programs are unique like you and one size does not fit all. The next step is a simple online application so that we can get you preapproved and ready to look for the perfect home. Unlike shopping for a car or rental applications, the credit pull to buy a home is not a derogatory. Homeownership and wealth building is the goal for all. Would you like to schedule time to chat? If you are a Realtor, would you like this calculator co-branded?

Oil and Rates Giving Their Relationship Another Shot

For 3 months, they were almost inseparable. Then in June, they went their separate ways. Now oil and rates are back together in July, for the most part.

Specifically, movement in oil prices was highly correlated with movement in rates (represented below by 10yr Treasury yields) after the onset of the Iran war. The reasoning was simple: higher fuel prices implied higher inflation, and higher inflation tends to result in higher rates.

The oil/rates correlation is never perfect, but it generally remained strong until ceasefire confirmation in early June. At that point, oil went south while bonds decided to stick around for a while for their own reasons (and also because gas/diesel prices haven't fallen nearly as fast as oil prices).



Tan & Samantha Tunador

VP | Sr Loan Officer Team,
Atlantic Coast Mortgage, LLC

www.TheTunadorGroup.com

P: (703) 919-5875

M: (703) 328-0628

tan@acmlc.com

10 W Market Street NW
Leesburg Virginia 20176

NMLS ID 1166669

NMLS ID 2408374



Samantha Tunador

Loan Officer, Atlantic Coast Mortgage

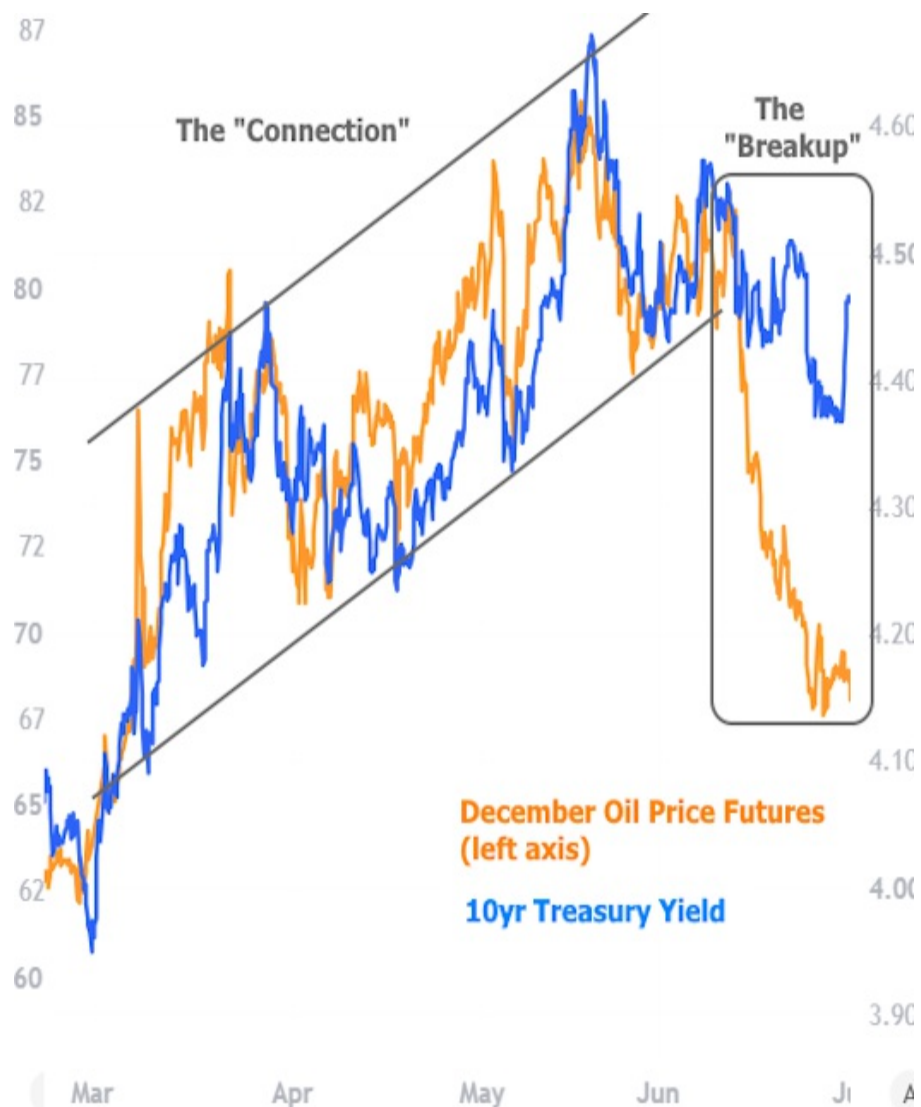
www.acmlc.com/samantha-tunador

P: (703) 919-5875

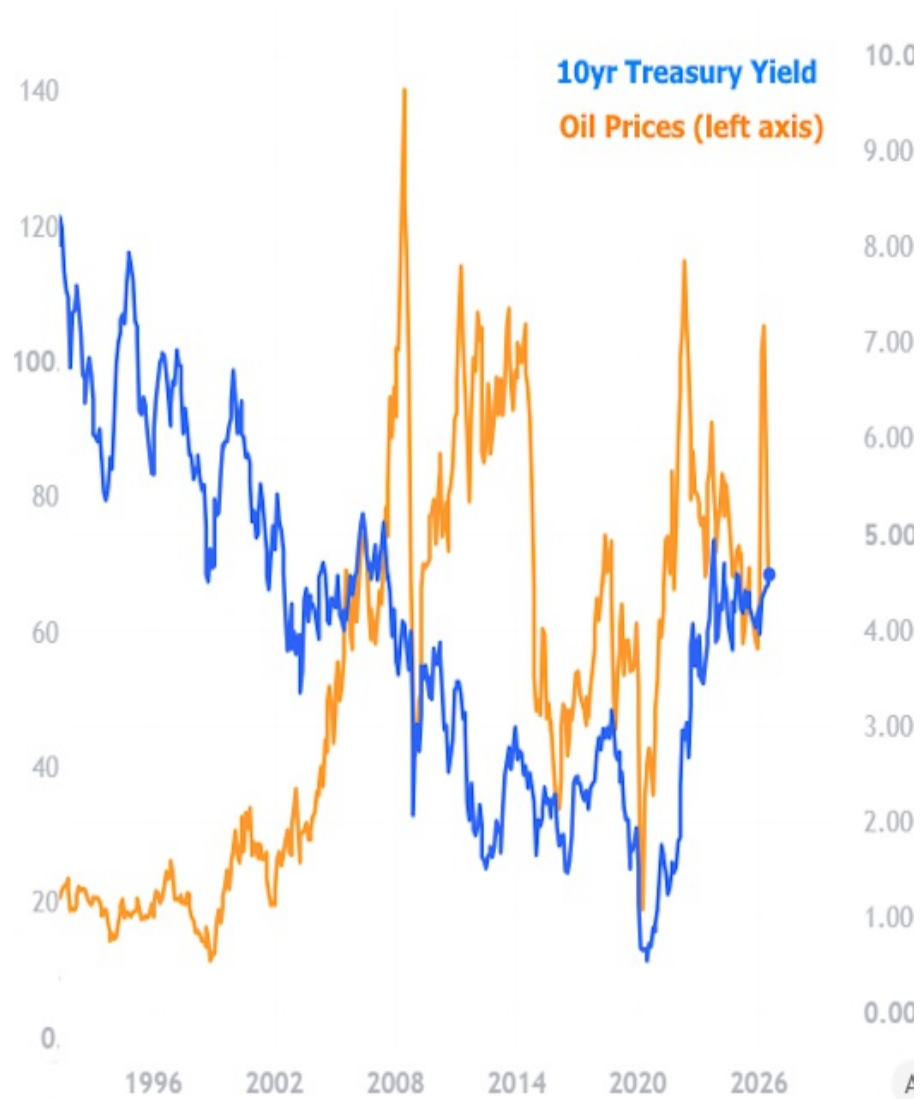
stunador@acmlc.com

NMLS#2408374





Before continuing, let's be clear on the oil/rate relationship in the bigger picture. Because fuel is so central to inflation and because inflation is so central to rates, it's tempting to conclude that oil and rates should **always** be correlating to some extent. In practice, bonds have a lot of other things on their mind besides inflation. This results in noticeable departures from the correlated trend over the years.

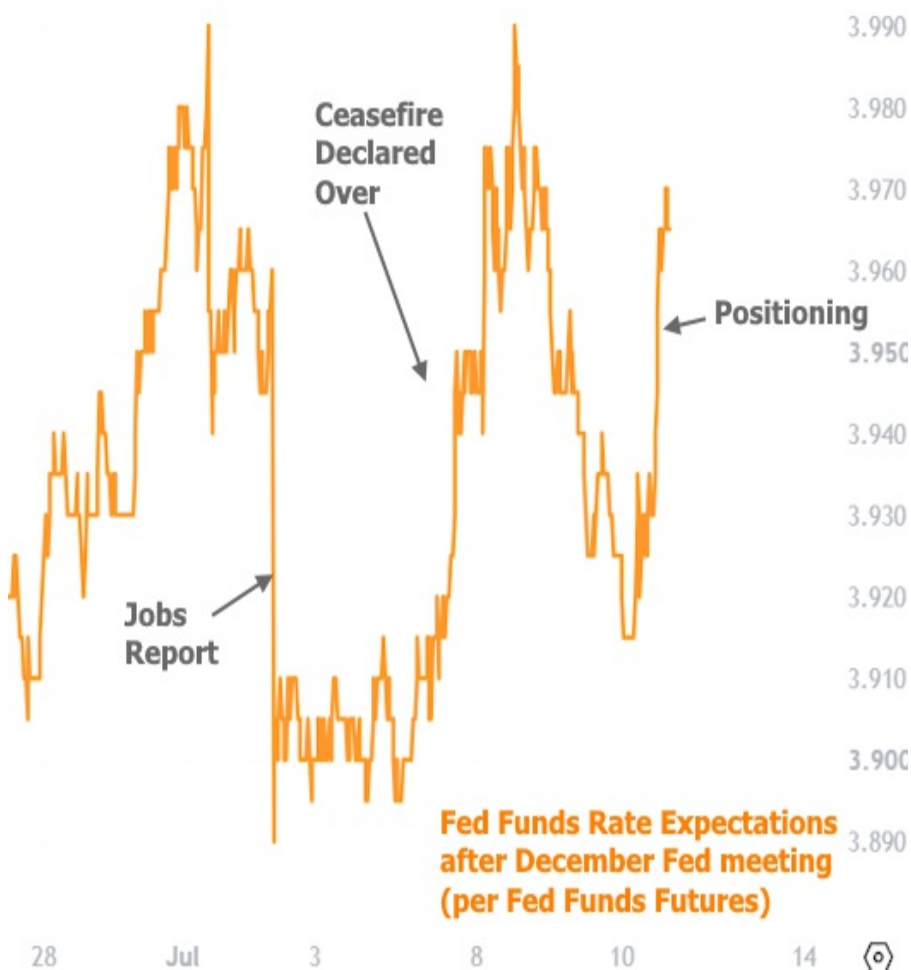


Nonetheless, recent correlation is understandable given the violence of the move in oil/fuel prices combined with an absence of other strong motivations for the bond market. This point was driven home last week when the jobs report caused a big bond-specific reaction that didn't involve oil.

The present week was a different story. Bonds/rates had very little by way of new motivation or data. Meanwhile, the end of the U.S./Iran ceasefire was big news for oil. Prices spiked and the apathetic bond market was quickly willing to be taken along for the ride.



As the chart above shows, July has seen a high degree of correlation return. The only hitch was on Friday afternoon when bond yields continued to drift higher as oil prices remained lower day-over-day. There are a number of ways to justify this, but the simplest would be that traders were positioning for next week's testimony from Fed Chair Warsh as well as two key inflation reports. Adding credence to this theory is the fact that Fed Funds Futures experienced an even sharper move than longer-term Treasuries.



If all of the above sounds a bit dramatic, mortgage rates agree. The Treasury charts place rate volatility under a microscope. In the bigger picture, mortgage rates are merely drifting sideways in a fairly narrow range--albeit a range near the 10-month highs.

