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**December 2016**

***This analysis is to provide general macro-economic data and information for intended users and clients of appraisal reports. The appraiser may incorporate this information in the appraisal process and add it to the scope of work of the appraisal assignment to help the reader (of the appraisal report) better understand economic conditions at the time of the appraisal and the stated effective date of the assignment.***

***Bonds and Rates***

**The stock market showed heavy gains throughout the month of December reaching new highs and almost exceeding 20,000 points. This, in turn, was offset by a selloff in the bond market which drove 10 year treasury yields upward to levels not seen in the past 24 months. This rise in bond yields has pushed mortgage rates higher and lenders were pricing the 30 year mortgage rates at close to 4.5% as of 12/14/2016. These higher rates have not been seen since 2013. Higher rates within the mortgage market could have a direct impact on property values in the near and distant future.**

**Several market economists, including Jeffery Gundlach, reported in a recent article from Market Watch that a 10-year Treasury over 3% “would start to have a real impact on market liquidity in corporate bonds and junk bonds.” He went on to say that this could have a direct impact on the housing market in particular. Interest rates have climbed more than 100 basis points since July of 2016. The Federal Reserve also raised the federal funds rate by an additional 25 basis points on December 15, 2016 and made several comments on forward guidance that they plan additional rate hikes through 2017. Some analysts are skeptical of any additional rates hikes from the fed. This is the second rate increase from the central bank in the past 10 years. The other rate increase took place in December of 2015 and did not have a major impact on housing prices due to high prices and low yields from the bond market. This allowed cheaper borrowing costs to**