

# Stocks Drop; So Do Mortgage Rates

Treasury Yields Fall as Economic Unease Simmers, Pushing Home-Loan Rates to Lowest Since 1971

By PRABHA NATARAJAN  
AND MATT PHILLIPS

**P**ERSISTENT WORRIES about the global economy are roiling the stock market, but they also are proving a boon for borrowers.

The Dow Jones Industrial Average tumbled another 145.64 points on Thursday as Freddie Mac said that 30-year mortgage rates fell to their lowest level in almost 40 years.

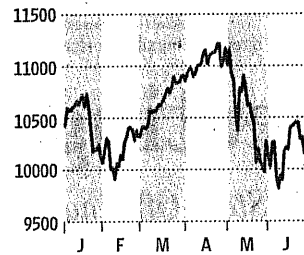
The same forces are driving down both. The prospect of a sputtering economy is prompting investors to bail out of risky assets like stocks while loading up on safe-haven investments like Treasuries and, to some extent, mortgage securities sold by Fannie Mae and Freddie Mac, both government-sponsored companies. The Dow is basically unchanged this month and down 2.6% for the year. Thursday's drop took it down another 1.4% to 10152.80.

Investors are in "glass-half-empty mode," said Steve Sosnick, equity risk manager at

## Sell Stocks, Buy a House?

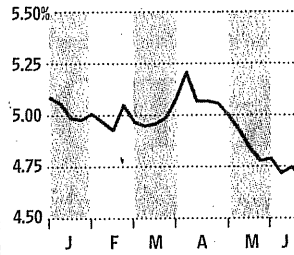
While the stock market has struggled, mortgage rates are getting ever cheaper.

Dow Jones Industrial Average



Sources: WSJ Market Data Group; Freddie Mac

30-year fixed-rate mortgage



Timber Hill LLC/ Interactive Brokers Group LLC. "It's not necessarily one piece of news or one piece of legislation, it's more of a malaise."

The S&P 500-stock index posted its fourth consecutive decline, marking its longest losing streak since the four-day period that ended on May 7. The index ended down by 1.7%.

As investors load up on Treasuries and mortgage-backed se-

curities, prices are rising and yields falling. Treasuries, which act as a benchmark for mortgage rates, have tumbled.

The yield on the two-year Treasury note—seen as a proxy for expectations on the direction of Federal Reserve interest rates—dropped to 0.63% early on Thursday, near a record low, before rising to end flat at 0.672%. The 10-year note is near its lowest since April 2009.

## THURSDAY'S MARKETS

DJIA	Nasdaq
10152.80	2217.42
▼145.64	▼36.81

Oil/barrel	10-year Treasury
\$76.51	Price
▲0.16	Yield
	3.126%

Dollar	
▼ vs. euro	\$1.2325
▼ vs. yen	¥89.49

Free updates at  
WSJMarkets.com

would drive yields up. But now, analysts say even lower rates may be coming.

Record-low rates are good news for homeowners looking to refinance and home buyers eager to take advantage of slumping prices. The problem is, lenders are more strict about to whom they will lend, requiring larger down payments, higher credit scores and proof of job stability.

Analysts say that means rates may fall even more before refinancing picks up.

"Mortgage rates need to hit 4.5%," without borrowers having to pay any extra interest upfront, for refinancing to increase, said Scott Wede, managing director and head of agency mortgage trading at Barclays Capital.

So far, falling rates haven't spurred home buying, said Keith Gumbinger, a vice president at HSH Associates, a publisher of consumer-loan information.

Rates also have fallen on so-called jumbo loans that exceed government loan-purchase limits. Rates on 30-year fixed-rate jumbos averaged 5.65% on Tuesday, according to HSH.

That pushed down the average rate on 30-year fixed-rate mortgages to 4.69% in the week ending Thursday, according to Freddie Mac, down from 4.75% a week earlier and 5.42% at this time last year. That is the lowest since Freddie began tracking mortgages in 1971.

The move lower is surprising to many analysts, who thought the Fed's decision to stop buying mortgages earlier this year