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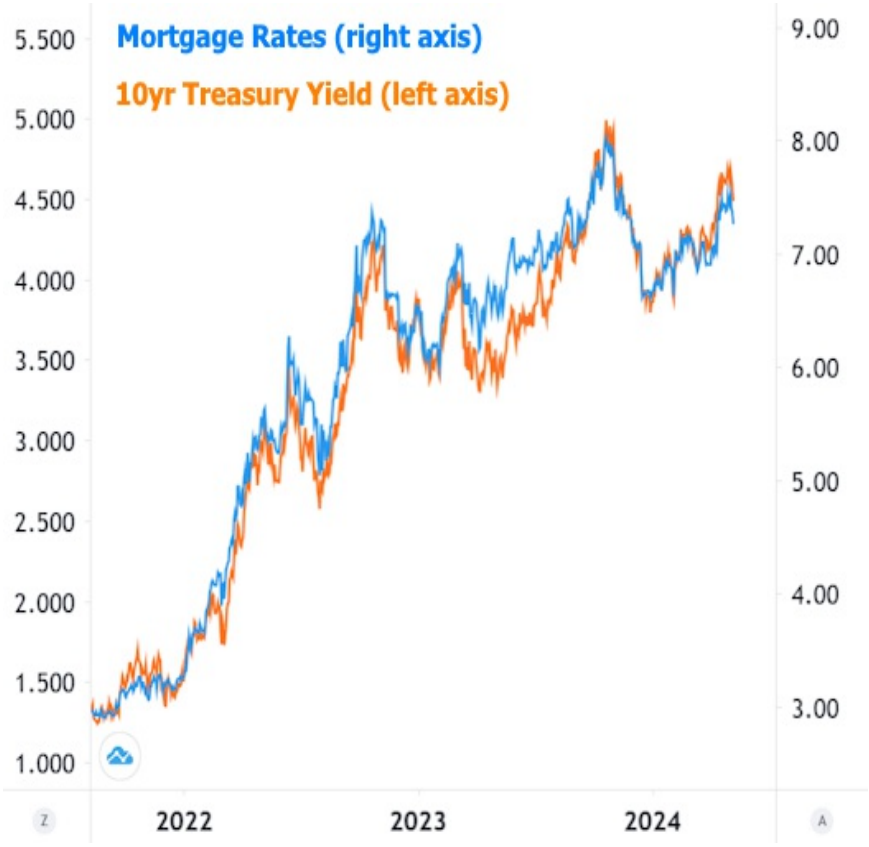
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Despite Bigger Bumps, Fed Still Sees Path to Lower Rates

It was an action-packed week for the housing and mortgage market. Wednesday's Fed announcement was the highlight, but we also got several economic reports that caused rate volatility. Thankfully, it was mostly the good kind.

The week got off to a slightly stronger start with Monday's only major rate news being updated borrowing estimates from the Treasury Department. Why would such a thing matter?

Treasuries largely dictate day to day interest rate momentum in the U.S. because they are abundant, simple, and as close to risk-free as it gets. As such, Treasuries are the universal yardstick for all other debt in the U.S., including MBS, the mortgage-backed securities that have the most direct impact on mortgage rates. This is why Treasury yields and mortgage rates correlate so well over time.



National Average Mortgage Rates



Mortgage News Daily

	Rate	Change	Points
30YR Fixed	7.27%	0.00	0.00
15YR Fixed	6.92%	0.00	0.00
30YR FHA	6.91%	+0.01	0.00
30YR Jumbo	7.52%	-0.03	0.00
7/6 SOFR	6.70%	-0.08	0.00
30YR VA	6.92%	+0.01	0.00

Rates as of: 11/2

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	99.81	-0.05
10 YR Treasury	4.9285	+0.0237
30 YR Treasury	5.3018	+0.0123

Pricing as of: 11/3 9:38AM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Oct 21	195	+3.39%
Building Permits	Sep	1.4M	+0.43%
Housing Starts	Sep	1.22M	-4.24%
New Home Sales	Sep	676K	-1.17%
Pending Home Sales	Aug	71.2	0%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Oct	29	-9.38%

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Treasuries can take cues from several sources. One of the biggest is the change in the outright level of supply. In other words, how much more debt is the U.S. government issuing in the upcoming quarter? If that number is higher than expected, it puts upward pressure on rates. Monday's news from Treasury was fairly palatable and roughly in line with market expectations, which allowed rates to stay steady.

Things changed on Tuesday when the Employment Cost Index (ECI) data came out. This is one of several reports that the Fed has mentioned as being important to the rate outlook recently. Higher numbers mean higher rates, all other things being equal. This week's installment showed Q1 costs at 1.2, up from 0.9 in Q4 and well above the market consensus of 1.0. Rates hit the highest levels of the week as a result, both in terms of Treasury yields and mortgage rates.



Things changed on Wednesday. The morning economic data did no harm, but didn't necessarily deserve much credit for turning things around. Those honors went to the Fed Announcement in the afternoon--specifically: Fed Chair Powell's press conference.

Markets already knew the Fed wouldn't change rates at this meeting, so the focus was likely to be on Powell anyway. Expectations were more varied as to how he might address the recent inflation data, but we knew he'd have to be less convinced than last time when it comes to 2024 rate cut prospects.

Unsurprisingly, Powell acknowledged that what had looked like one month of noise earlier in the year was now an undeniable and unwelcome shift in progress toward lower inflation. Nonetheless, he expects progress to get back on track in the coming months and for the Fed's next move to be a cut instead of a hike.

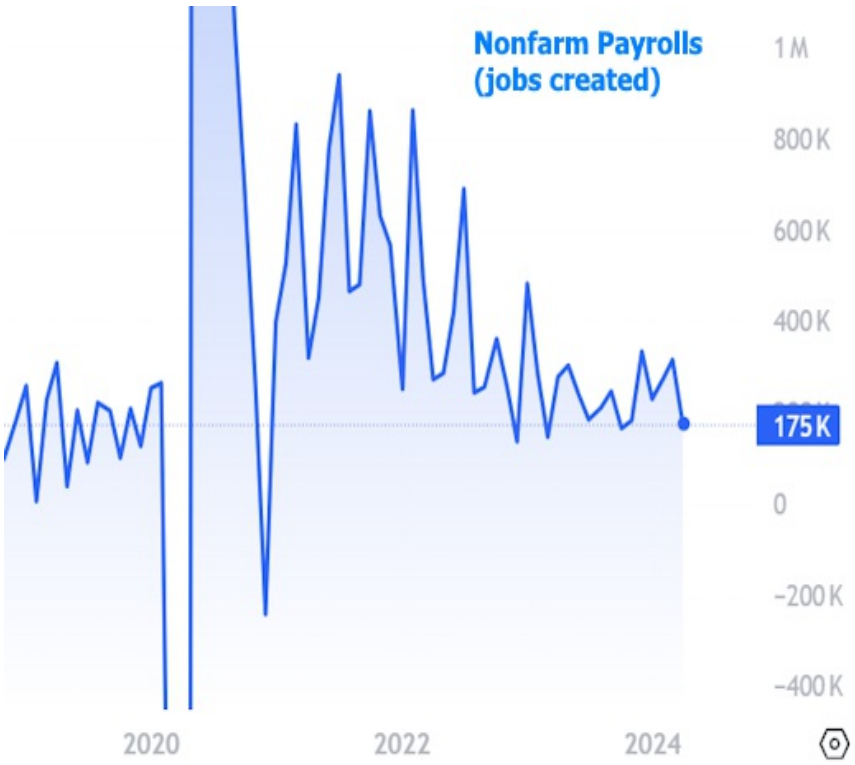
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Markets also appreciated his clarification on political matters. Many analysts have suggested the Fed won't be able to cut rates until December because it risks looking like a political move if it happens before November's election. But Powell was clear in saying the Fed would take whatever monetary policy action it deemed appropriate whenever the data suggested it. In other words, if inflation were to begin falling in a more meaningful way in the next several months and if the economy began to falter, we would not have to wait several more months for the Fed to deliver some rate relief.

With that, momentum had shifted in favor of lower rates for the week. There was some follow-through on Thursday, but even better gains on Friday after the latest monthly jobs report came out weaker than expected. Job creation fell to its lowest level since October, and that's in line with the lowest since covid lockdowns. It was also well below the forecast consensus (175k versus 243k).

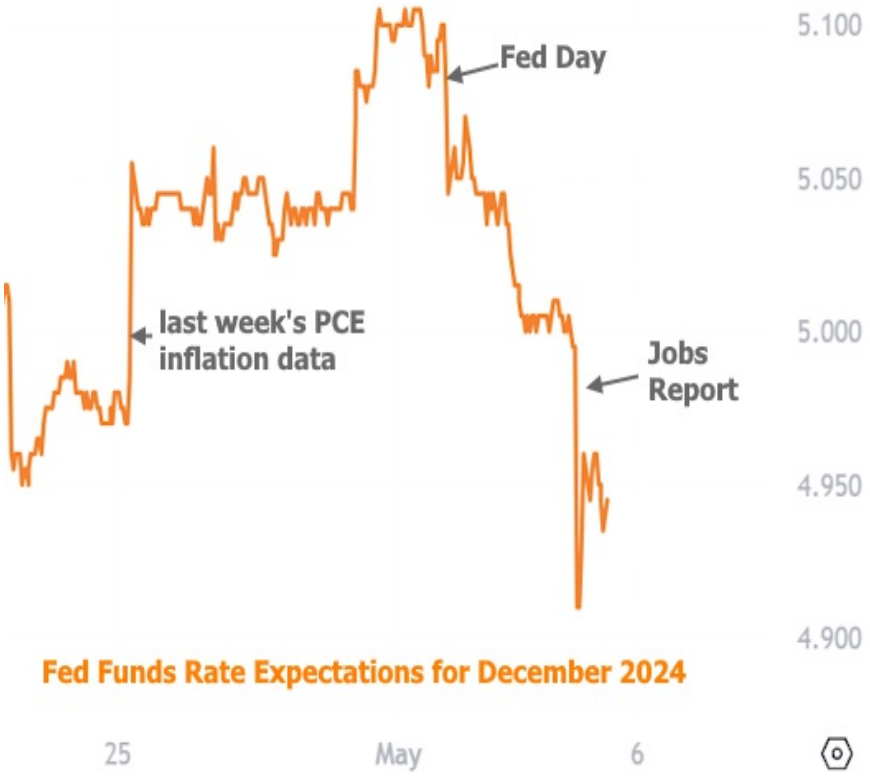


Historically, 175k is a solid number, but everything's relative. Rates typically fall when the job count undershoots the forecast by that much and Friday was no exception. 10yr Treasury yields and mortgage rates ended the week at the lowest levels since April 9th. Traders further lowered their outlook for the end-of-year Fed Funds Rate, once again pricing in at least one full cut this year.

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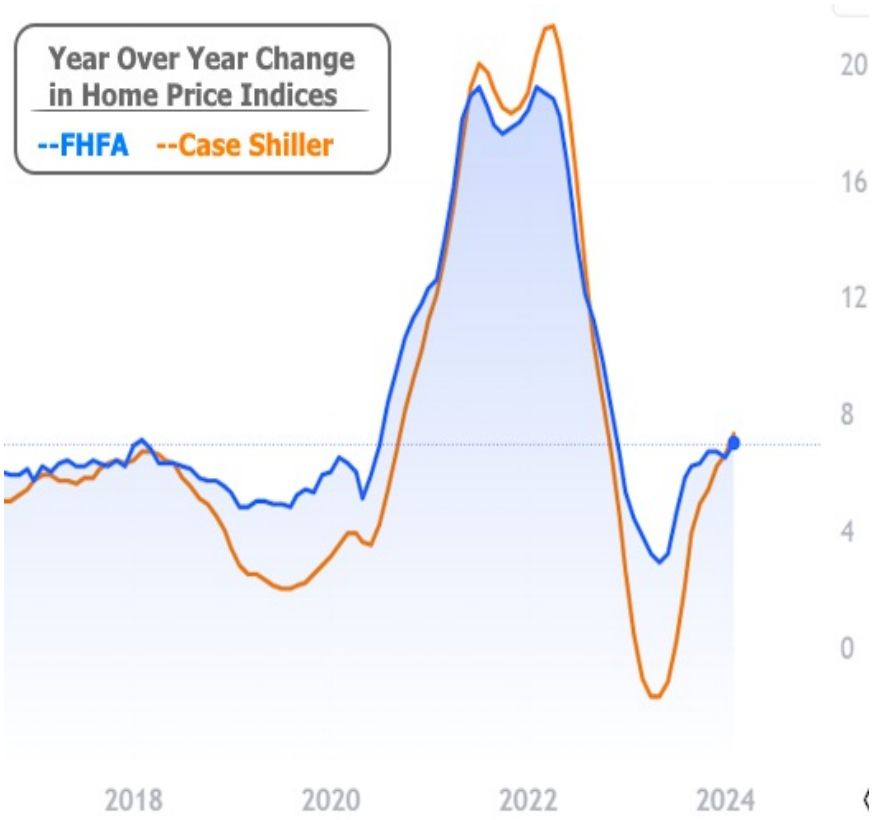


On the housing data front, the week's most notable releases were the two leading national price indices from FHFA and Case Shiller. Both were much higher than forecast for the month of February, showing annual growth of 7.0% and 7.3% respectively.

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From here, the calendar is comparatively much more quiet until the biggest economic report of the month on May 15: the Consumer Price Index (CPI). This is the broad inflation index that has been at the scene of many crimes against the world of interest rates. Reactions have been big enough that it's not uncommon to see rate momentum fizzle sideways as traders wait for the next inflationary shoe to drop.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Monday, Apr 29				
3:00PM	Treasury Refunding Financing Estimates (%)			
Tuesday, Apr 30				
8:30AM	Q1 Employment costs (%)	1.2%	1%	0.9%
9:00AM	Feb FHFA Home Prices y/y (%)	7%		6.3%
9:00AM	Feb Case Shiller Home Prices-20 y/y (%)	7.3%	6.7%	6.6%
9:45AM	Apr Chicago PMI	37.9	45	41.4
10:00AM	Apr CB Consumer Confidence (%)	97.0	104.0	104.7
Wednesday, May 01				
7:00AM	Apr/26 MBA Refi Index	456.9		472.7
7:00AM	Apr/26 MBA Purchase Index	141.7		144.2
8:15AM	Apr ADP jobs (k)	192K	175K	184K
9:45AM	Apr S&P Global Manuf. PMI	50.0	49.9	51.9

Event Importance:

No Stars = Insignificant
☆ Low
★ Moderate
★★ Important
★★ Very Important

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Date	Event	Actual	Forecast	Prior
10:00AM	Mar USA JOLTS Job Openings	8.488M	8.69M	8.756M
10:00AM	Apr ISM Manufacturing PMI	49.2	50.0	50.3
10:00AM	Mar Construction spending (%)	-0.2%	0.3%	-0.3%
2:00PM	Fed Interest Rate Decision	5.5%	5.5%	5.5%
Thursday, May 02				
7:30AM	Apr Challenger layoffs (k)	64.789K		90.309K
8:30AM	Apr/27 Jobless Claims (k)	208K	212K	207K
10:00AM	Mar Factory orders mm (%)	1.6%	1.6%	1.4%
Friday, May 03				
8:30AM	Apr Non Farm Payrolls	175K	243K	303K
8:30AM	Apr Unemployment rate mm (%)	3.9%	3.8%	3.8%
10:00AM	Apr ISM N-Mfg PMI	49.4	52.0	51.4
Wednesday, May 08				
7:00AM	May/03 MBA Refi Index	477.5		456.9
7:00AM	May/03 MBA Purchase Index	144.2		141.7
10:00AM	Mar Wholesale inventories mm (%)	-0.4%	-0.4%	0.5%
Thursday, May 09				
8:30AM	May/04 Jobless Claims (k)	231K	210K	208K
1:00PM	30-Year Bond Auction	4.635%		4.671%
Friday, May 10				
10:00AM	May Consumer Sentiment (ip)	67.4	76	77.2
Wednesday, Jul 10				
1:00PM	10-yr Note Auction (bl)	39		

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We know that each customer has specific needs, so we strive to meet those specific needs with a wide array of products, investment tools, mortgages and best of all quality service and individual attention.

Today's technology is providing a more productive environment to work in. For example, through our website, you can submit a complete on-line, secure loan application or pre-qualify for a home loan. You may also evaluate your different financing options by using our interactive calculators and going over various mortgage scenarios.

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