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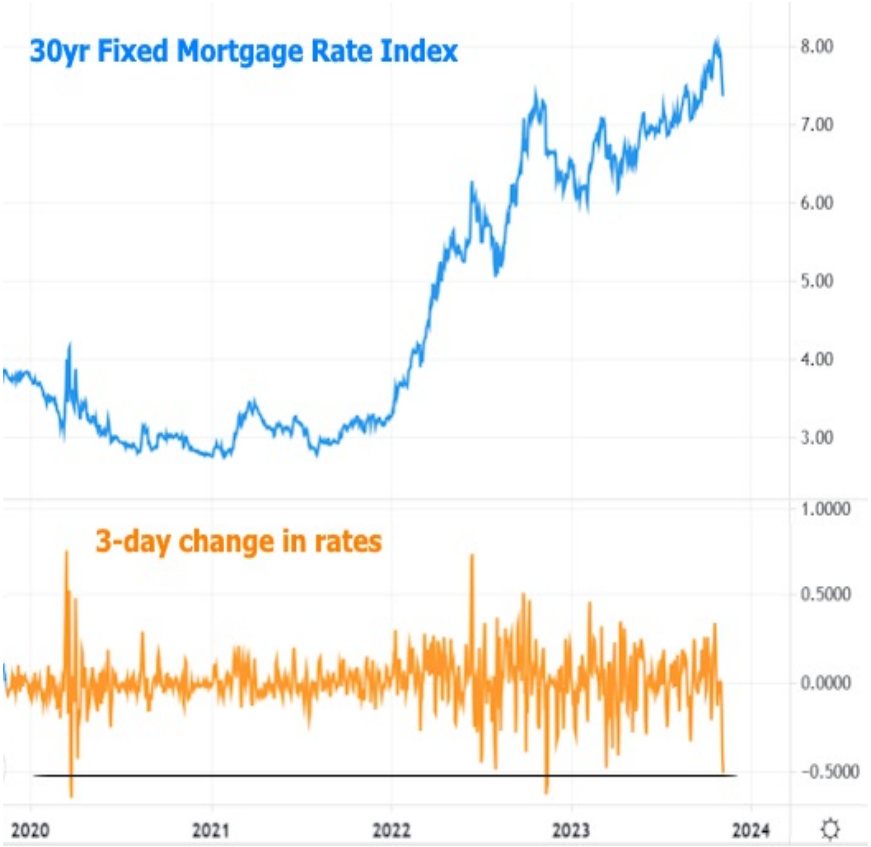
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# Tremendous Week For Interest Rates And Possibly Even For The Rate Outlook

The average top tier 30yr fixed mortgage rate was at 23 year highs as recently as October 19th. It wasn't much lower by the start of present week. What a difference a few days make, especially the last 3 which resulted in a massive 0.50% drop!

The improvement seen on Wed-Fri is the 3rd biggest in well over a decade. And if we throw out March 2020 (as we often do, due to unprecedented volatility relating to the onset of the pandemic), we're left with only one other similar example back in early November of 2022.




Like the present example, last November's big drop in rates happened only after setting new super-long-term highs. That's an important consideration because it speaks to market positioning and the psychology of momentum. It's no coincidence that we often see positive records just after hitting big negative milestones.

## National Average Mortgage Rates




| Mortgage News Daily | Rate | Change | Points |
|---|---|---|---|
| 30YR Fixed | 7.27% | -0.02 | 0.00 |
| 15YR Fixed | 6.92% | -0.03 | 0.00 |
| 30YR FHA | 6.90% | -0.01 | 0.00 |
| 30YR Jumbo | 7.55% | 0.00 | 0.00 |
| 7/6 SOFR | 6.78% | -0.10 | 0.00 |
| 30YR VA | 6.91% | -0.01 | 0.00 |

Rates as of: 10/30

## MBS and Treasury

| | Price / Yield | Change |
|---|---|---|
| MBS UMBS 6.0 | 99.79 | -0.02 |
| 10 YR Treasury | 4.9207 | -0.0092 |
| 30 YR Treasury | 5.2879 | -0.0203 |

Pricing as of: 11/2 7:06AM 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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That's not to say the improvement is random or that it is exclusively a reaction to previous rate spikes. The previous rate spikes merely add some "oomph" to the next big drop in rates. Big drops still need justification.

Last November, the justification was a low reading in the Consumer Price Index (CPI) that gave investors hope regarding a shift in inflation. Unfortunately, that shift proved to be a head-fake and rates continued lower into February of 2023, it's been up, up, and away since then.

This time around, economic data was a catalyst yet again, but it didn't act alone. The good times began to roll on Wednesday after Treasury announced lower-than-expected auction amounts. Treasury supply has been an increasingly hot topic for rates because supply has increased so much in the past few years. All else being equal, higher supply means higher rates for Treasuries, mortgages, and almost everything else.

This week's announcement was expected to show MORE supply, but the market expected even higher numbers. In addition, the announcement suggested that Treasury supply would only be going up one more time next quarter. That was received as good new by the bond market which had previously been acting like there was no end in sight.

The rally gained momentum with economic data at 10am and again with the Fed announcement in the afternoon. Thursday was mild by comparison, but kept the trajectory intact with help from slightly higher Jobless Claims data, and especially from traders exiting bets on higher rates.

In the bond market, the simple act of "no longer betting on higher rates" or technically, "short covering," forces a trader to effectively enter a bet on lower rates. In other words, if you'd been betting on higher rates, you'd have to buy bonds to end that bet, and bond buying puts more downward pressure on rates.

With an immense amount of improvement already seen on Wed/Thu, Friday's jobs report was in a unique position to cast a deciding vote on the past 2 days of potential exuberance. If jobs came in higher than forecast, the previous drop in rates would indeed have seemed overly exuberant and we would likely be seeing a decent push back.

As it happened, jobs were **lower** than forecast (good for rates). Additionally, the unemployment rate ticked up more than expected (good for rates) and the past few months of jobs gains were revised lower (good for rates!).

To be sure, the labor market is still exceptionally strong, but the rate market had been pricing in something even stronger. Friday's jobs numbers increasingly paint a picture of a labor market that is cooling back down to more historically normal levels.

The result of all of the above is the best 3 days for mortgage rates and bonds that we've seen since rates first began to launch higher 2 years ago. Granted, the magnitude of the drop is greatly facilitated by the fact rates were at multi-decade highs in the past few weeks, but we're not complaining.

10yr Treasury yields allow us to see the individual contributions outlined above:

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As welcome as this drop in rates may be, context is important. This victory speaks to things that have already happened. It doesn't necessarily guarantee or even speak to what's to come. Even after this week's big drop, yields are merely back in line with a trend that's been pointing sharply higher since late July.




There's certainly not a rule that prohibits that red line from being broken, but the point is that it will take more time and data for deeper healing in the rate market. Yes, this week's data represents the best chance yet at that kind of healing, but if the data makes a miraculous recovery in the weeks ahead, the healing is on hold.

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## Recent Economic Data

| Date | Event | Actual | Forecast | Prior |
|---|---|---|---|---|
| **Tuesday, Oct 31** | | | | |
| 8:30AM | Q3 Employment costs (%) | 1.1% | 1% | 1% |
| 9:00AM | Aug FHFA Home Price Index m/m (%) | 0.6% | 0.5% | 0.8% |
| 9:00AM | Aug Case Shiller Home Prices-20 y/y (%) | 2.2% | 1.6% | 0.1% |
| 9:00AM | Aug FHFA Home Prices y/y (%) | 5.6% | | 4.6% |
| 9:00AM | Aug CaseShiller 20 mm nsa (%) | 0.4% | | 0.6% |
| 9:45AM | Oct Chicago PMI | 44 | 45 | 44.1 |
| **Wednesday, Nov 01** | | | | |
| 7:00AM | Oct/27 MBA Purchase Index | 125.2 | | 127 |
| 7:00AM | Oct/27 MBA Refi Index | 341.7 | | 354 |
| 8:15AM | Oct ADP jobs (k) | 113K | 150K | 89K |
| 8:30AM | Quarterly Refunding Details | | | |
| 10:00AM | Oct ISM Manufacturing PMI | 46.7 | 49 | 49 |
| 10:00AM | Sep USA JOLTS Job Openings | 9.553M | 9.25M | 9.61M |
| 2:00PM | Fed Interest Rate Decision | 5.5% | 5.5% | 5.5% |
| 2:30PM | Fed Press Conference | | | |
| **Thursday, Nov 02** | | | | |
| 8:30AM | Oct/28 Jobless Claims (k) | 217K | 210K | 210K |
| 8:30AM | Q3 Labor Costs Revised (%) | -0.8% | 0.7% | 2.2% |
| 8:30AM | Q3 Productivity Revised (%) | 4.7% | 4.1% | 3.5% |
| **Friday, Nov 03** | | | | |
| 8:30AM | Oct Average earnings mm (%) | 0.2% | 0.3% | 0.2% |
| 8:30AM | Oct Non Farm Payrolls | 150K | 180K | 336K |
| 8:30AM | Oct Unemployment rate mm (%) | 3.9% | 3.8% | 3.8% |
| 9:45AM | Oct S&P Global Services PMI | 50.6 | 50.9 | 50.1 |
| 10:00AM | Oct ISM N-Mfg PMI | 51.8 | 53 | 53.6 |
| **Tuesday, Nov 07** | | | | |
| 3:00PM | Sep Consumer credit (bl) | | | |
| **Wednesday, Nov 08** | | | | |
| 7:00AM | Nov/03 MBA Purchase Index | | | |
| 7:00AM | Nov/03 MBA Refi Index | | | |
| 10:00AM | Sep Wholesale inventories mm (%) | | | |
| **Thursday, Nov 09** | | | | |
| 8:30AM | Nov/04 Jobless Claims (k) | | | |

## Event Importance:

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

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| Date | Event | Actual | Forecast | Prior |
|---|---|---|---|---|
| **Friday, Nov 10** | | | | |
| 10:00AM | Nov Consumer Sentiment (ip) | | | |
| **Wednesday, Jan 10** | | | | |
| 1:00PM | 10-yr Note Auction (bl) | 37 | | |
| **Thursday, Jan 11** | | | | |
| 1:00PM | 30-Yr Bond Auction (bl) | 21 | | |


## Our Goal is to help our Wholesale Partners grow their business.

Let our highly experienced reverse mortgage team help your company grow its HECM business.

**Chris Munson**





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