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Mortgage Rates Hit 10-Month Lows — Here's Why a Fed Cut Might Not Help

Inflation data was in focus this week, with one major report helping mortgage rates officially hit new 10-month lows before the 2nd report pushed back in the other direction.

The biggest report, Tuesday's Consumer Price Index (CPI), was generally friendly for rates despite coming in right in line with forecasts. Some categories showed tariff-related price pressures, but easing in housing costs kept the overall number from spiking. Markets initially cheered, and Fed rate cut expectations for September were effectively 100% by midweek.



National Average Mortgage Rates



Mortgage News Daily

	Rate	Change	Points
30YR Fixed	7.51%	+0.01	0.00
15YR Fixed	7.04%	+0.01	0.00
30YR FHA	7.08%	+0.03	0.00
30YR Jumbo	7.52%	+0.02	0.00
7/6 SOFR	7.12%	-0.01	0.00
30YR VA	7.10%	+0.03	0.00

Rates as of: 11/16

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	98.73	+0.03
10 YR Treasury	5.1260	-0.0082
30 YR Treasury	5.4714	-0.0044

Pricing as of: 11/16 7:12PM EST

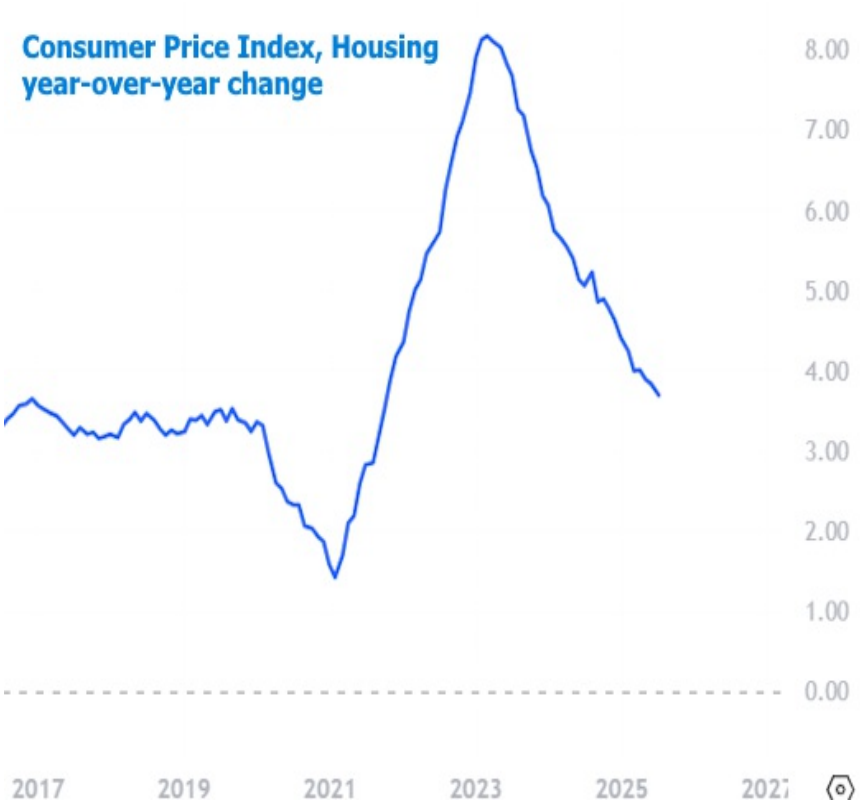
Recent Housing Data

		Value	Change
Mortgage Apps	Nov 4	204.6	+6.23%
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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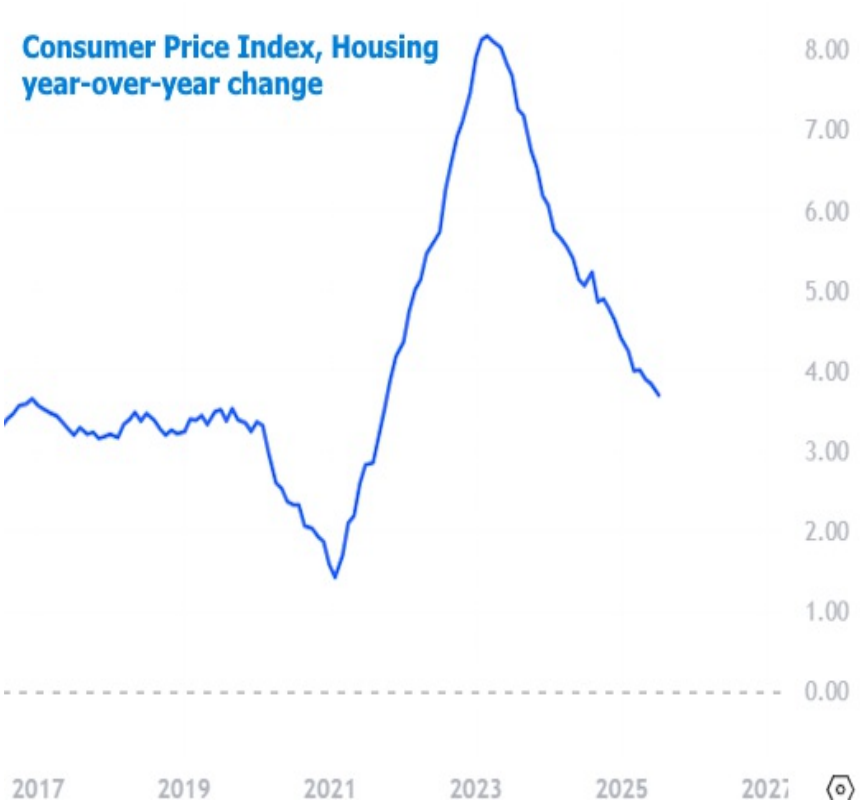
Wednesday offered a brief lull with no major reports, and rates managed to hold ground thanks to continued optimism on the Fed outlook.

Thursday's Producer Price Index (PPI), which measures inflation at the wholesale level, was a different story. It came in much hotter than expected and raised concerns that tariffs could push inflation higher in the months ahead. Damage was limited by the fact that some of the PPI components that overlap with PCE (yet another inflation report, to be released in 2 weeks, and also the Fed's preferred inflation gauge) were less alarming. Even so, PPI raised enough doubt to push bond yields — and the rates tied to them — higher by the afternoon.

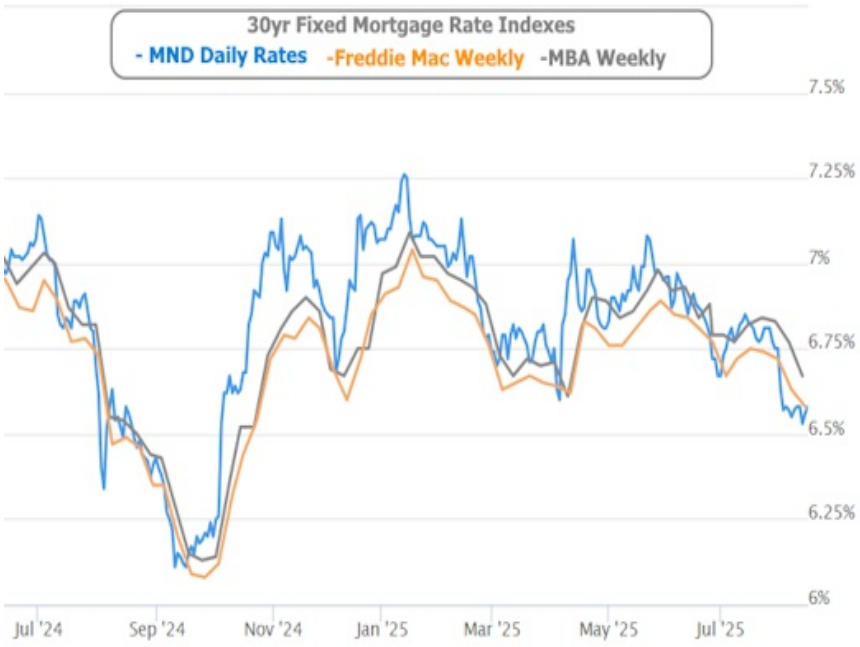
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Friday brought moderately stronger retail sales numbers. Bonds didn't react much at first, but as the day wore on, trading conditions tilted unfavorably, and several lenders issued small afternoon rate increases. Despite those changes, the average rate remained far closer to the lower boundary of most of the past 10 months.



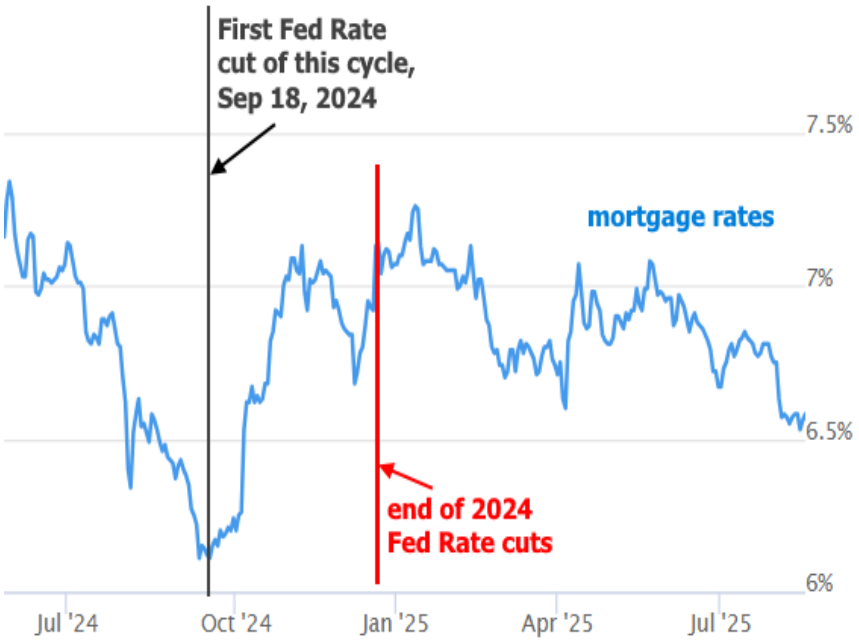
The takeaway is that rates have generally rallied alongside growing expectations for Fed rate cuts. For all the time we spend pushing back on the belief that the Fed dictates mortgage rates, this is the one time that there's a sort of exception.

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Specifically, mortgage rates do indeed tend to move the same direction as Fed rate **EXPECTATIONS**. This is mostly because the two share many common motivations and **NOT** because mortgage rates are waiting for a change in the actual Fed Funds Rate. A prime example was seen in late 2024 when mortgage rates hit long term lows only to begin moving higher when the Fed finally cut rates.



With the Fed still likely to cut rates in the upcoming meeting, it's important to keep that precedent in mind. To be clear, an actual Fed rate cut **WOULD NOT** guarantee further improvement **unless** the economic data keeps supporting the case for more cuts ahead.

For now, rates remain within striking distance of recent lows, but next month's jobs report and the next round of inflation data will determine whether they break even lower or retreat back up into 2025's prevailing range.

The upcoming week will bring a few key updates from the Fed. Wednesday's release of the Fed meeting minutes simply provides a more detailed account of the meeting that took place 3 weeks ago. It's the lesser of the two Fed events because it will not be able to account for data that's come out over the past 3 weeks. Thursday marks the start of the Fed's Jackson Hole symposium. Unlike the Minutes, this will give the Fed Chair and other speakers a forum to make forward looking statements that take this week's inflation developments into consideration.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Tuesday, Aug 12				
8:30AM	Jul y/y CORE CPI (%)	3.1%	3%	2.9%
8:30AM	Jul m/m CORE CPI (%)	0.3%	0.3%	0.2%
Wednesday, Aug 13				
7:00AM	Aug/08 MBA Refi Index	956.2		777.4
7:00AM	Aug/08 MBA Purchase Index	160.2		158.0

Event Importance:

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

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Date	Event	Actual	Forecast	Prior
Thursday, Aug 14				
8:30AM	Aug/09 Jobless Claims (k)	224K	228K	226K
8:30AM	Jul Core Producer Prices MM (%)	0.9%	0.2%	0%
8:30AM	Jul Core Producer Prices YY (%)	3.7%	2.9%	2.6%
Friday, Aug 15				
8:30AM	Jul Retail Sales Control Group MoM	0.5%	0.4%	0.5%
8:30AM	Jul Retail Sales (%)	0.5%	0.5%	0.6%
10:00AM	Aug Consumer Sentiment (ip)	58.6	62	61.7
10:00AM	Aug Sentiment: 5y Inflation (%)	3.9%		3.4%
10:00AM	Aug Sentiment: 1y Inflation (%)	4.9%		4.5%
Monday, Aug 18				
10:00AM	Aug NAHB housing market indx	32	34	33
Tuesday, Aug 19				
8:30AM	Jul Building Permits (ml)	1.354M	1.39M	1.393M
8:30AM	Jul Housing starts number mm (ml)	1.428M	1.29M	1.321M
Wednesday, Aug 20				
2:00PM	FOMC Minutes			
8:00PM	Jackson Hole Symposium			
Thursday, Aug 21				
8:30AM	Aug/16 Jobless Claims (k)	235K	225K	224K
8:30AM	Aug Philly Fed Business Index	-0.3	7	15.9
9:45AM	Aug S&P Global Services PMI	55.4	54.2	55.7
10:00AM	Jul Existing home sales (ml)	4.01M	3.92M	3.93M
8:00PM	Jackson Hole Symposium			

Responsive service, experienced expertise

I've dedicated my 26 year mortgage career to client education, superior service, and honest answers. The lending landscape has changed dramatically the past few years, and continues to do so. My job is to ensure client partners' loans close quickly, without surprises, and I take that responsibility very seriously. Referrals are a responsibility I appreciate; they're a measure of trust, and that trust must be earned every day, on every referral.

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