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Mortgage Rates Jump Higher After Fed Rate Cut. Confused? Don't Be...

Mortgage rates surged HIGHER after this week's Fed rate cut--a seemingly paradoxical move that has exposed widespread confusion about the nature of mortgage rate movement. Let's clear it up!

SHORT VERSION:

- The Fed Funds Rate (the thing the Fed cut this week) doesn't dictate mortgage rates
- The Fed Funds Rate only changes on Fed announcement days, 8 times a year. It changes in response to various economic reports and events.
- Mortgage rates change daily and the bonds that drive mortgage rates change in real-time throughout the day. That means mortgage rates can drop for all the same reasons that drove this week's rate cut.
- Because those reasons were already in play well before Fed day, mortgage rates had already responded to them well before Fed day.
- Bottom line: the Fed Funds Rate and mortgage rates dropped for the same reasons, but mortgage rates got to do it sooner because they move more nimbly.

LONG VERSION:

- There is actually a dedicated primer for this topic: No, The Fed Hike/Cut Doesn't Mean Anything For Mortgage Rates

SPECIAL NOTE REGARDING NEWS STORIES SAYING RATES ARE LOWER THIS WEEK:

There were an unfortunate number of news articles out on Thursday claiming that mortgage rates were LOWER this week. This is due to Freddie Mac's weekly rate survey dropping to 6.26 from 6.35. Freddie's rate is an average of the rates on Thursday through Wednesday, reported the following day. In other words, 4 out of 5 days in this week's survey were BEFORE Fed day, and those days also happened to have the lowest rates in a long time.

As such, we can certainly accept that the average rate of those 5 weekdays was lower than the average rate of the previous 5 weekdays. Unfortunately, news organizations quote the survey when it comes out on Thursday, mistakenly giving the impression that this week's rates are still lower than last week's--even if they've already bounced much higher, as was the case this week.

National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.33%	-0.12	0.00
15YR Fixed	6.89%	-0.10	0.00
30YR FHA	6.95%	-0.10	0.00
30YR Jumbo	7.44%	-0.06	0.00
7/6 SOFR	6.81%	-0.19	0.00
30YR VA	6.97%	-0.10	0.00

Rates as of: 11/20

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	99.39	-0.12
10 YR Treasury	4.9622	+0.0219
30 YR Treasury	5.3339	+0.0015

Pricing as of: 11/23 4:28AM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Nov 11	199.8	-2.35%
Building Permits	Oct	1.3M	-7.5%
Housing Starts	Oct	1.31M	+7.21%
New Home Sales	Sep	676K	-1.17%
Pending Home Sales	Oct	63	-4.69%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Nov	25	-13.79%

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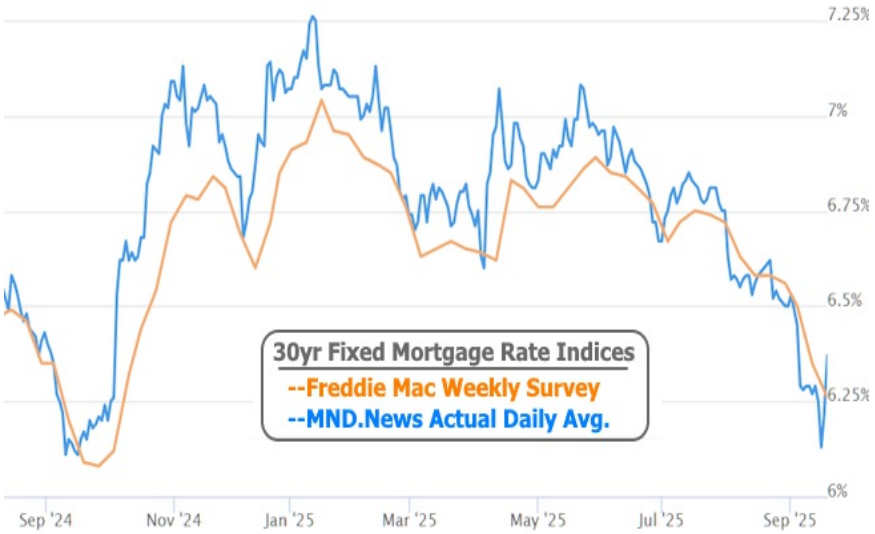
BOTTOM LINE:

If we remove the 8 days before Fed day from the equation, mortgage rates would still be at the lowest levels in 11 months. But they are currently unequivocally higher than the rates from that 8 day window, with Wednesday and Thursday's combined move being especially sharp.



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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Monday, Sep 15				
8:30AM	Sep NY Fed Manufacturing	-8.70	5	11.90
Tuesday, Sep 16				
8:30AM	Aug Retail Sales (%)	0.6%	0.2%	0.5%
8:30AM	Aug Import prices mm (%)	0.3%	-0.1%	0.4%
9:15AM	Aug Industrial Production (%)	0.1%	-0.1%	-0.1%
10:00AM	Jul Business Inventories (%)	0.2%	0.2%	0.2%
10:00AM	Sep NAHB housing market indx	32	33	32
Wednesday, Sep 17				
7:00AM	Sep/12 MBA Purchase Index	174.0		169.1
7:00AM	Sep/12 MBA Refi Index	1596.7		1012.4
8:30AM	Aug Housing starts number mm (ml)	1.307M	1.37M	1.428M
8:30AM	Aug Building Permits (ml)	1.312M	1.37M	1.362M
2:00PM	Fed Interest Rate Decision	4.25%	4.25%	4.5%
2:00PM	FOMC Economic Projections			
2:30PM	Fed Press Conference			
Thursday, Sep 18				

Event Importance:

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

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Date	Event	Actual	Forecast	Prior
8:30AM	Sep/13 Jobless Claims (k)	231K	240K	263K
8:30AM	Sep/06 Continued Claims (k)	1920K	1950K	1939K
8:30AM	Sep Philly Fed Business Index	23.2	2.3	-0.3
8:30AM	Sep Philly Fed Prices Paid	46.80		66.80
Tuesday, Sep 23				
9:45AM	Sep S&P Global Services PMI		54	54.5
9:45AM	Sep S&P Global Manuf. PMI		52	53.0
Wednesday, Sep 24				
10:00AM	Aug New Home Sales (ml)		0.65M	0.652M
Thursday, Sep 25				
8:30AM	Q2 GDP (%)		3.3%	-0.5%
8:30AM	Aug Durable goods (%)		-0.5%	-2.8%
8:30AM	Sep/20 Jobless Claims (k)		235K	231K
10:00AM	Aug Existing home sales (ml)		3.96M	4.01M
Friday, Sep 26				
8:30AM	Aug Core PCE (m/m) (%)		0.2%	0.3%
8:30AM	Aug Core PCE Inflation (y/y) (%)		2.9%	2.9%
10:00AM	Sep Consumer Sentiment (ip)		55.4	58.2

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