

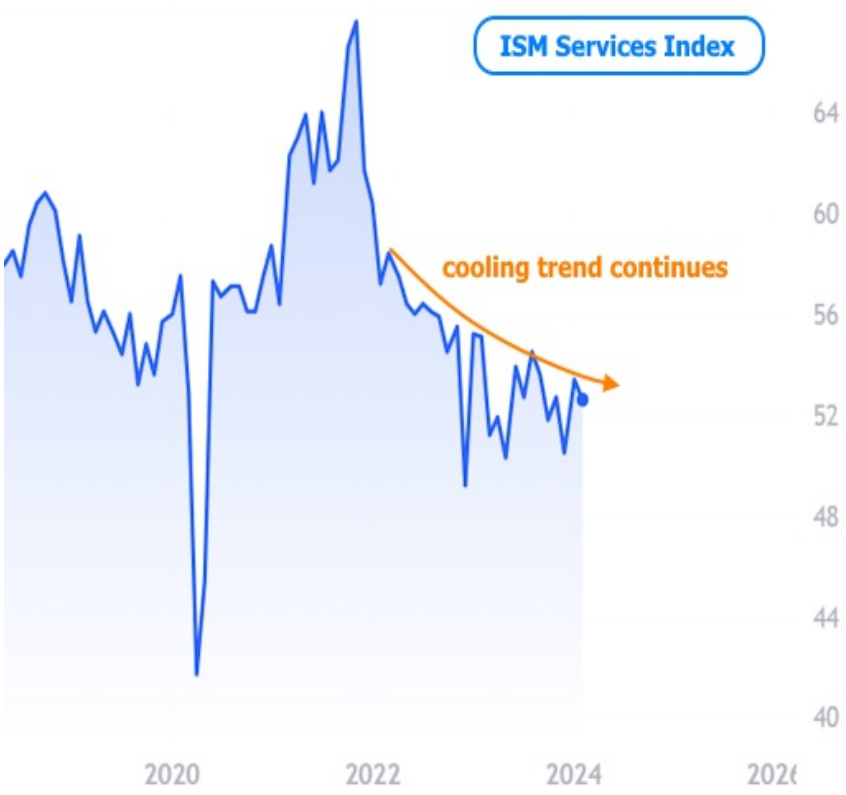
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Lowest Rates in Over a Month. Upcoming Inflation Data Casts a Critical Vote

It was a hotly anticipated week for interest rates due to the arrival of the first batch of big ticket economic data since the Inflation report that came out on February 13th. This week's data was much more friendly, but next week's data is even more important.

The first major report of the week was the Non-Manufacturing index from ISM (or ISM Services). While this may not be a household name report, it frequently moves markets. In general, lower index values are better for rates, and that's what we got. Even though the drop wasn't very big, it fits inside the cooling trend of the past two years.



The ISM Services data includes other components as well. One closely watched component is the "prices paid" index which speaks to inflation trends. As always, lower inflation is good for rates and vice versa. With that in mind, this week's report was a relief because it undid a potentially alarming spike seen in the last installment.

National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.30%	+0.03	0.00
15YR Fixed	6.91%	-0.01	0.00
30YR FHA	6.95%	+0.04	0.00
30YR Jumbo	7.45%	-0.07	0.00
7/6 SOFR	6.71%	+0.01	0.00
30YR VA	6.97%	+0.05	0.00

Rates as of: 11/3

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	99.94	+0.19
10 YR Treasury	4.9539	-0.0164
30 YR Treasury	5.3308	-0.0010

Pricing as of: 11/4 10:28AM 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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The following morning, another big ticket report corroborated the notion of economic cooling. The Job Openings survey measures the labor market from a slightly different angle than the big jobs report that headlined the week, but it has increasingly caused volatility in rates over the past few years. This week's release didn't have a huge impact, but it didn't have a bad impact either!



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Another component of the job openings data known as the "quits" rate measures the amount of workers voluntarily ending their own employment. It's regarded as a good indicator of a shift in economic momentum because people are less likely to quit their jobs if the economy is contracting.



One important caveat on the labor market data is the notion of "right sizing." Employment metrics exploded higher after lockdowns ended and, in many regards, have only just returned in line with the previous trend. Everything's relative.

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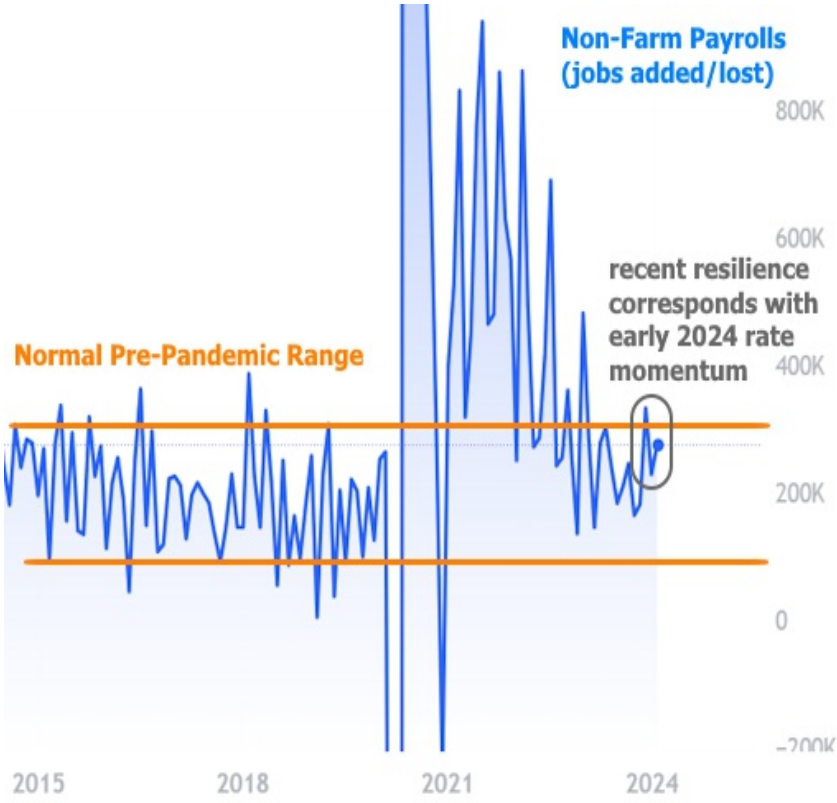
Even though job openings data has been surprisingly relevant recently, nothing compares to the big jobs report when it comes to employment data moving the market. Friday's example was incredibly interesting and perhaps even downright confusing. Nonfarm Payrolls (NFP), the headline component of the jobs report is simply a measurement of jobs added or lost on any given month. It frequently comes in significantly higher or lower than expected and it's frequently revised by just as much in the 2 months after the initial release.

Friday's release was indeed much higher than expected at 275k vs a median forecast of 200k, but last month's super high reading of 353k was revised lower by even more, down to 229k. That went a long way in offsetting the damage we might have otherwise seen on Friday. The counterpoint is that job counts are still elevated relative to their pre-pandemic range.

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But other components of the report helped the bond market work through the data without rates losing any ground. These included things like wage growth coming in 0.4% lower and the unemployment rate ticking up 0.2%. It's an open question as to whether we're seeing signs of a classic parabolic shift in the unemployment rate or merely one of the sorts of "ledges" seen decades ago.



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Taken in conjunction with Thursday and Friday's economic data from last week, these 7 business days have been almost exclusively good for interest rates.



In the bigger picture, these 7 business days are going a long way to push back against the rising rate trend that dominated the first 2 months of the year.

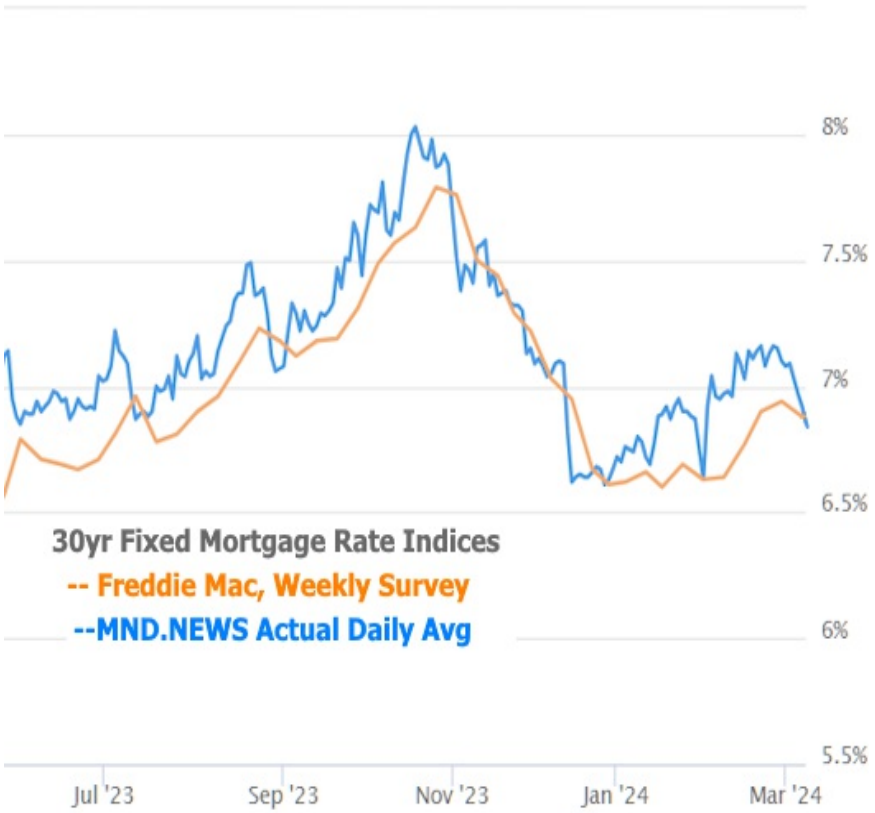
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Mortgage rates are getting in on the improvements as well.



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The chart above shows room to run before challenging the recent lows, but also plenty of room to rise overhead. The most critical deciding factor between those two outcomes has been and continues to be the true state of inflation in the U.S. The most important economic report when it comes to inflation is the Consumer Price Index (CPI), and we'll get the next monthly installment this coming Tuesday. If CPI comes in hot, rates will likely shoot back up toward last week's highs. If it comes in lower than expected, rates could continue to improve.

A week later, the Fed releases its next policy announcement and updated rate projections. It's not an overstatement to say that a big enough surprise in CPI could have a meaningful impact on those projections as well as the words the Fed uses to discuss the prospect of rate cuts later this year. While it's true that the Fed Funds Rate doesn't dictate mortgage rates, the market's expectations for the Fed Funds Rate are much more correlated. CPI arrives on Tuesday morning at 8:30am ET.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Tuesday, Mar 05				
10:00AM	Feb ISM N-Mfg PMI	52.6	53	53.4
Wednesday, Mar 06				
7:00AM	Mar/01 MBA Refi Index	428.1		395.9
7:00AM	Mar/01 MBA Purchase Index	141.1		127.6
8:15AM	Feb ADP jobs (k)	140K	150K	107K
10:00AM	Jan USA JOLTS Job Openings	8.863M	8.9M	9.026M
10:17AM	Powell Testimony (House Committee)			
Thursday, Mar 07				
8:30AM	Mar/02 Jobless Claims (k)	217K	215K	215K
8:30AM	Feb/24 Continued Claims (ml)	1906K	1889K	1905K
8:30AM	Q4 Nonfarm Productivity QoQ Final	3.2%	3.1%	4.9%
8:30AM	Q4 Unit Labour Costs QoQ Final	0.4%	0.6%	-1.1%
10:00AM	Fed Chair Powell Testimony			
Friday, Mar 08				
8:30AM	Feb Average earnings mm (%)	0.1%	0.3%	0.6%
8:30AM	Feb Non Farm Payrolls	275K	200K	353K
8:30AM	Feb Unemployment rate mm (%)	3.9%	3.7%	3.7%
Monday, Mar 11				
1:00PM	3-Yr Note Auction (bl)	56		
Tuesday, Mar 12				
8:30AM	Feb y/y CORE CPI (%)	3.8%	3.7%	3.9%
8:30AM	Feb m/m CORE CPI (%)	0.4%	0.3%	0.4%
1:00PM	10-Year Note Auction	4.166%		4.093%
Wednesday, Mar 13				
1:00PM	30-Year Bond Auction	4.331%		4.36%

Event Importance:

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

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Date	Event	Actual	Forecast	Prior
Thursday, Mar 14				
8:30AM	Feb Core Producer Prices MM (%)	0.3%	0.2%	0.5%
8:30AM	Feb Core Producer Prices YY (%)	2%	1.9%	2%
8:30AM	Mar/09 Jobless Claims (k)	209K	218K	217K
8:30AM	Feb Retail Sales (%)	0.6%	0.8%	-0.8%
10:00AM	Jan Business Inventories (%)	0%	0.2%	0.4%
Friday, Mar 15				
8:30AM	Mar NY Fed Manufacturing	-20.9	-7	-2.4
8:30AM	Feb Import prices mm (%)	0.3%	0.3%	0.8%
9:15AM	Feb Industrial Production (%)	0.1%	0%	-0.1%

The Right Advice Is What Saves You Money

A Mortgage is a financial tool. The right tools help you build. At Cornerstone First, my tool belt is filled with many different tools so I can say "Yes" to more clients and referral partners.

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