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The Upcoming Week Will Be Significantly More Volatile

In general, you should be skeptical any time someone says a future week will be more volatile. There's really no way to know such things in advance, but this time is an exception.

While we can't have any idea which **direction** rates will move next week, we can be sure that we'll see more volatility. Part of the reason is that the outgoing week would have been hard pressed to be any less volatile. For rates, it was largely an aimless drift apart from two offsetting reactions to calendar events on Thursday and Friday (highlighted below).



Thursday's sharper drop in bond yields followed a higher reading in the weekly Jobless Claims data. This was one of the only economic reports that came out this week. It showed an abnormally large change that resulted in the highest reading since August 2023. While this could prove to be an outlier, it got the market's attention in the morning.

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	4.9502	-0.0201
30 YR Treasury	5.3308	-0.0010

Pricing as of: 11/4 10:30AM EST

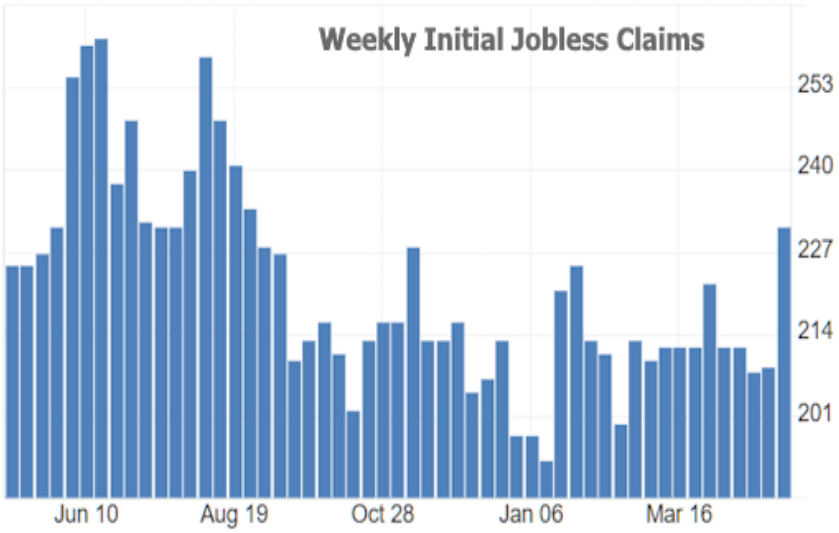
Recent Housing Data

		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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Thursday afternoon saw relatively strong at the scheduled auction of 30yr Treasury bonds. In general, strong auctions put downward pressure on yields/rates, all other things being equal. The present example was worth roughly the same amount of improvement as the Jobless Claims data.

While the bond market was already pushing back in the other direction on Friday morning, the Consumer Sentiment data kept things moving in the same unfriendly direction. This was not the usual case of stronger economic data pushing rates higher. In fact, headline consumer sentiment was much lower than expected.



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Rather, it was a component of the report that measures consumers' inflation expectations. This came in much higher than expected, and higher inflation is a much bigger consideration for rates at the moment.

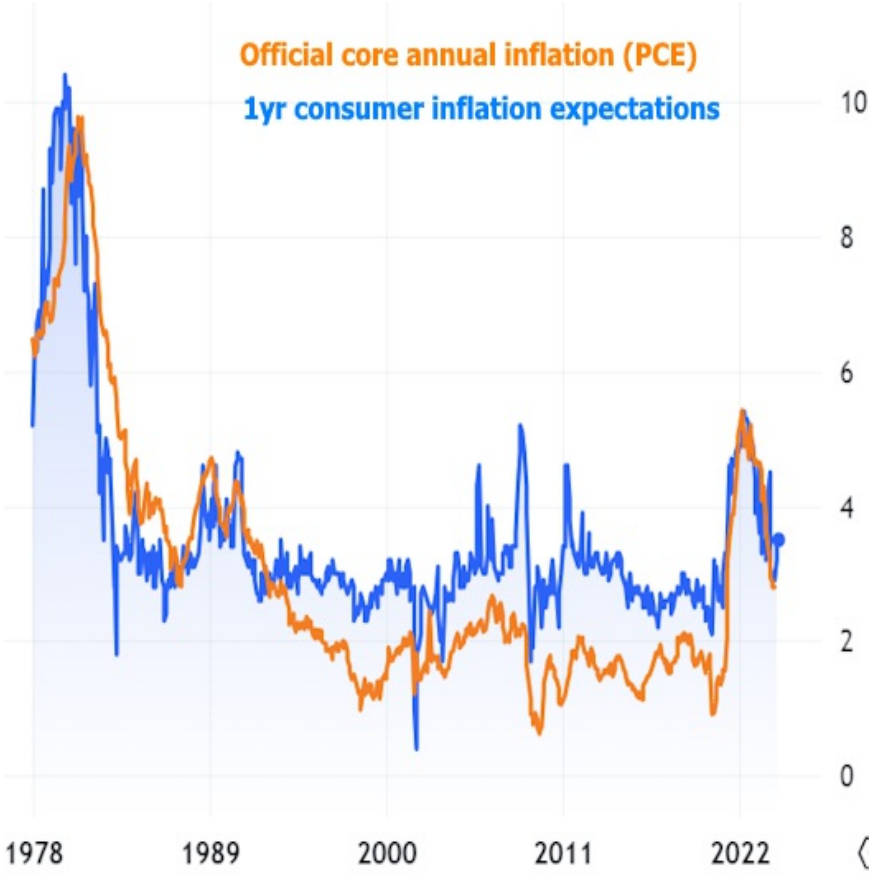


Who cares what consumers think about inflation anyway? It's not like they decide the price of "stuff." True as that may be, consumer expectations play a role in purchasing behavior which, in turn, influences demand-driven changes in inflation. It's not a perfect relationship, but there's strong general correlation over time.

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But the inflation data everyone's waiting for is right around the corner, and this brings us to the other part of the reason that higher volatility is a lock for the coming week. On Wednesday, May 15th, the latest Consumer Price Index (CPI) will be released.

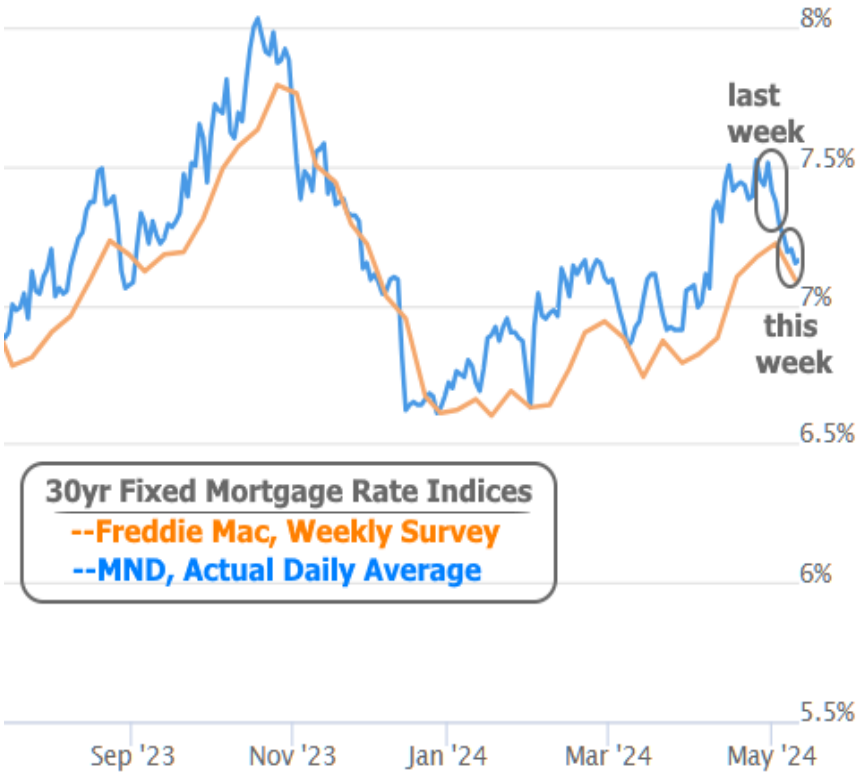
No other economic report has been as likely to cause big swings in financial markets recently. It is the first, broad, official look at inflation on any given month and, again, inflation is the biggest problem for rates these days.

Q1 inflation proved to be persistently higher than expected--a fact that coincides with interest rates moving up a fair amount from the lows seen at the end of 2023.

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Some experts think the trend of elevated inflation will continue while others still expect it to start calming down any month now. With each new CPI, we get another chance to see a sign of a friendly shift. Granted, one month of data won't work any miracles, but the market is very sensitive to the mere possibility of a shift.

There will be other economic data as well, including Retail Sales and several housing related reports, but there is no doubt about the main event. Incidentally, both Retail Sales and CPI will be released at the same time, 8:30am ET, on Wednesday morning.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Tuesday, May 07				
1:00PM	3-Yr Note Auction (bl)	58		
3:00PM	Mar Consumer credit (bl)	$6.27B	$15B	$14.12B
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
Thursday, May 09				
8:30AM	May/04 Jobless Claims (k)	231K	210K	208K
8:30AM	Apr/27 Continued Claims (ml)	1785K	1790K	1774K
Friday, May 10				

Event Importance:

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

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Date	Event	Actual	Forecast	Prior
10:00AM	May Consumer Sentiment (ip)	67.4	76	77.2
10:00AM	May Sentiment: 1y Inflation (%)	3.5%	3.2%	3.2%
Tuesday, May 14				
8:30AM	Apr Core Producer Prices MM (%)	0.5%	0.2%	0.2%
8:30AM	Apr Core Producer Prices YY (%)	2.4%	2.4%	2.4%
10:00AM	Fed Chair Powell Speech			
Wednesday, May 15				
8:30AM	Apr y/y CORE CPI (%)	3.6%	3.6%	3.8%
8:30AM	Apr m/m CORE CPI (%)	0.3%	0.3%	0.4%
8:30AM	Apr Retail Sales (%)	0%	0.4%	0.7%
10:00AM	May NAHB housing market indx	45	51	51
Thursday, May 16				
8:30AM	Apr Import prices mm (%)	0.9%	0.3%	0.4%
8:30AM	Apr Housing starts number mm (ml)	1.36M	1.42M	1.321M
8:30AM	Apr Building permits: number (ml)	1.440M	1.48M	1.467M
8:30AM	May Philly Fed Business Index	4.5	8	15.5
8:30AM	May/11 Jobless Claims (k)	222K	220K	231K
9:15AM	Apr Industrial Production (%)	0%	0.1%	0.4%
Wednesday, Jul 10				
1:00PM	10-yr Note Auction (bl)	39		
Thursday, Jul 11				
1:00PM	30-Yr Bond Auction (bl)	22		

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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