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Slow Start for Rates Gives Way to Volatility With More to Come Next Week

The week began with a distinct absence of interest rate volatility, but things changed in a big way by Friday--at least compared to the previous week which was exceptionally quiet.



In the bigger picture, however, it was just another week that felt volatility in the short term due to a surprising rate spike on Friday.

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

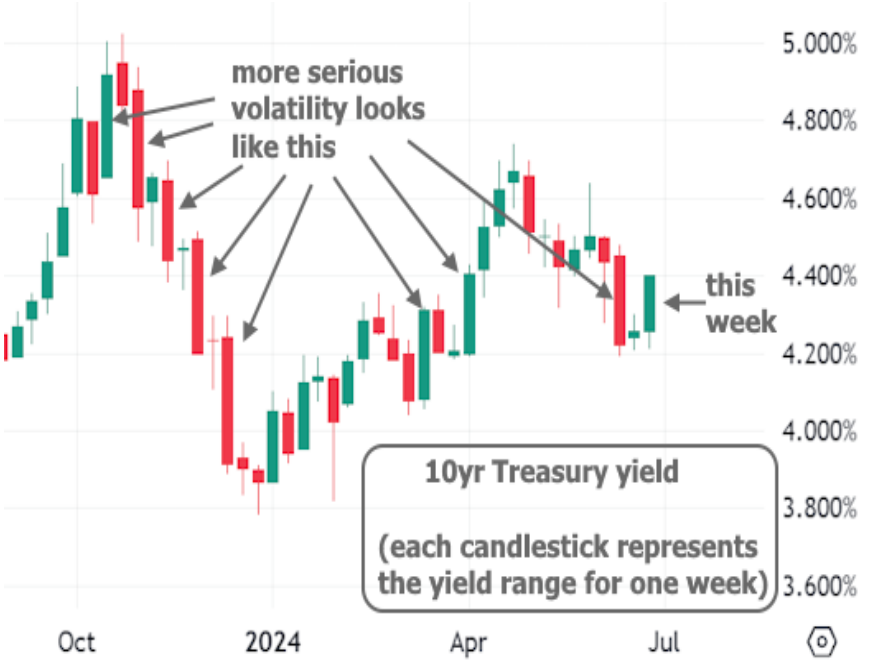
Recent Housing Data

		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%

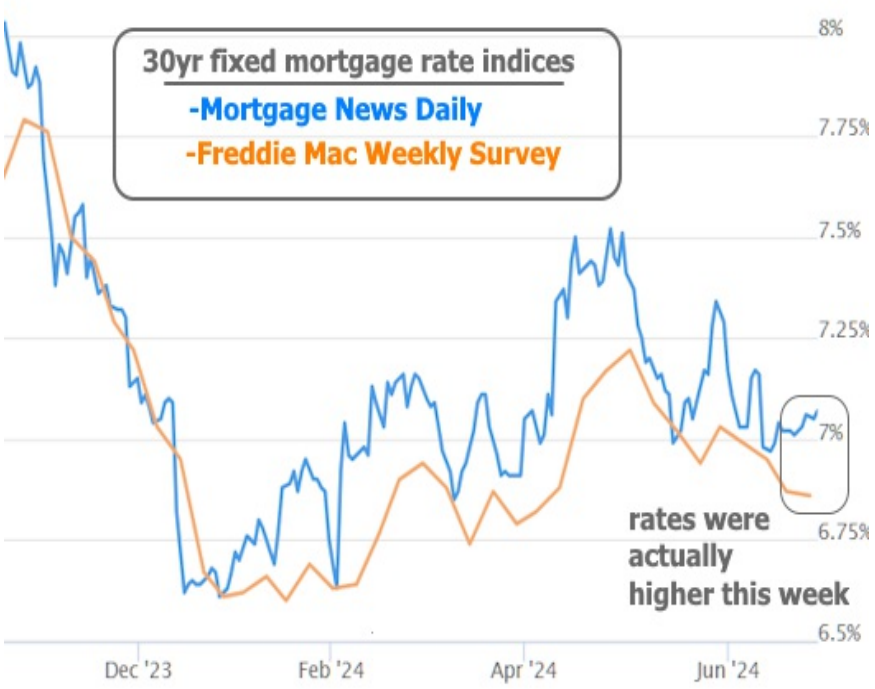
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Incidentally, the fact that this week's rate spike occurred at the end of the week means that Freddie Mac's weekly mortgage rate index missed detecting the shift. More timely daily data shows average mortgage rates trending slightly higher this week as opposed to lower.

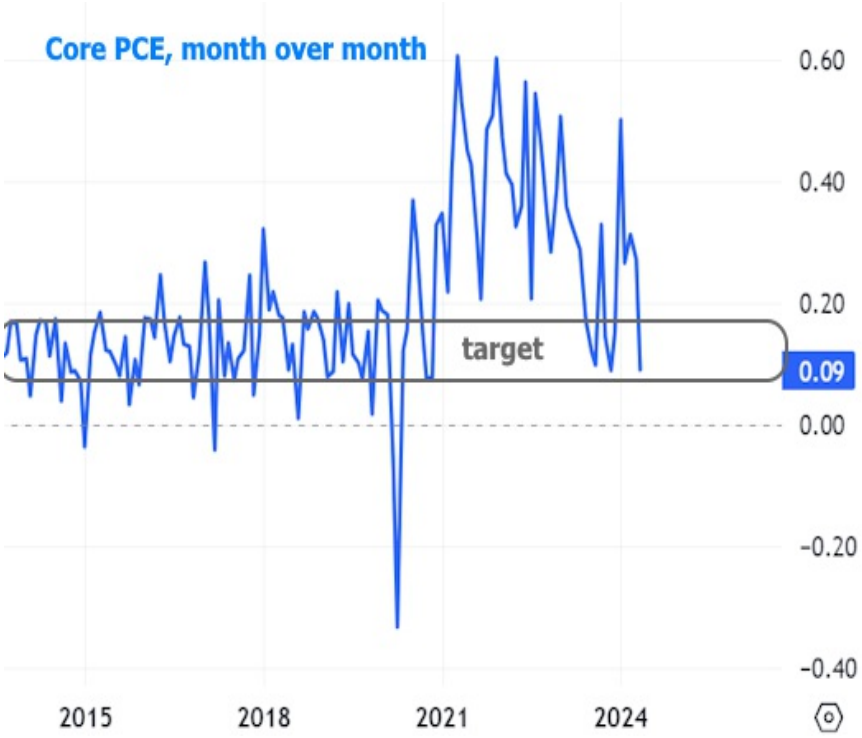


The most eagerly anticipated data was the PCE price index for May. This is a similar measure of inflation to CPI (the Consumer Price Index) that came out 2 weeks ago. Core PCE, which excludes more volatile food and energy prices, was even more favorable for the inflation outlook.

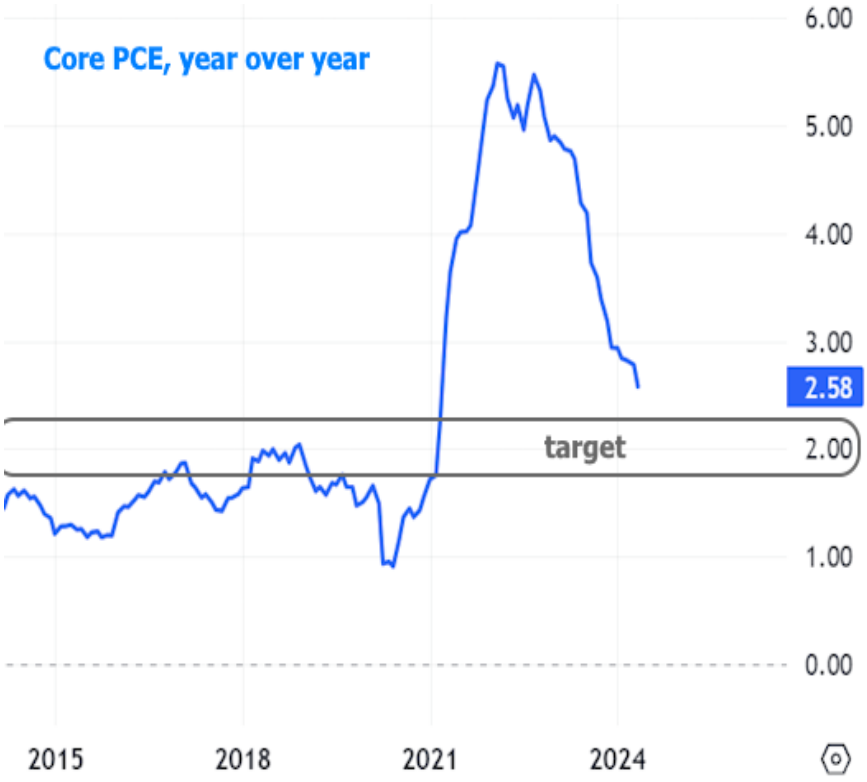
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The chart above may make it seem that inflation has returned to the target level, but success is measured by the year over year numbers hitting 2%. The Fed has indicated it would consider rate cuts when it was more confident about hitting 2%. We're definitely not there yet, but arguably getting closer.



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Friday afternoon saw an abrupt reversal in rates tied to the compulsory trading that often creates volatility at the end of a month/quarter (Friday was both). There is no rhyme or reason to month-end trading when it comes to a typical impact. In other words, it can be good or bad for rates. We don't get to know ahead of time. This time it was bad.

Some rate watchers entertained the notion that the presidential debate had an impact, but while that may have contributed to market volatility, the timing of the volume and volatility makes a strong case for month/quarter-end trading. Simply put, if the debate were the x factor, we would not have expected the market to wait until the times of day typically associated with month-end trading to make the biggest trades.

Up until Friday, we didn't see any notable reactions to economic reports or scheduled events. There was a smattering of housing-related data with limited conclusions to be drawn. Sales of existing homes are still in the historical basement according to the Pending Home Sales Index.



Sales of new homes are also near their recent lows, but remain much higher relative to pre-pandemic levels.

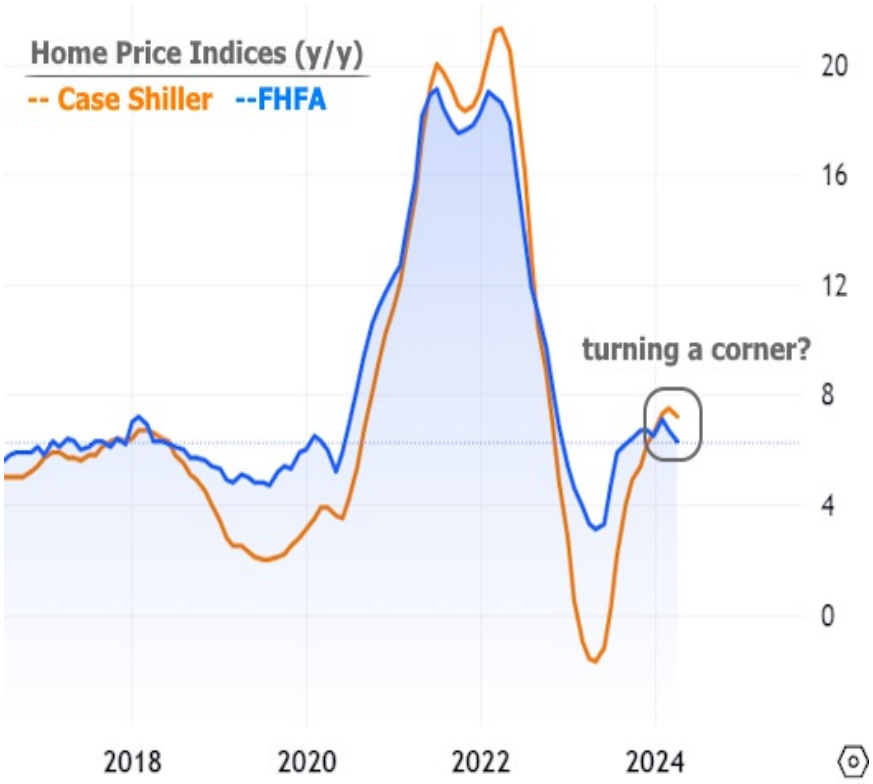
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Home price indices were updated for Case Shiller and FHFA. Unlike the sales data above, which is for the month of May, price indices run a month behind (i.e. this is only through April). Current annual appreciation is still historically high, but increasingly looks like it may have leveled off.



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Looking ahead, next week brings just as much potential volatility--if not more--due to the release of several top tier economic reports. Of those, Friday's big jobs report has the most power to send rates higher or lower. Timing could add to the drama this time as markets are closed on Thursday for the 4th of July.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Tuesday, Jun 25				
9:00AM	Apr Case Shiller Home Prices-20 y/y (%)	7.2%	6.9%	7.5%
9:00AM	Apr FHFA Home Prices y/y (%)	6.3%		6.7%
Wednesday, Jun 26				
7:00AM	Jun/21 MBA Purchase Index	147.8		146.0
7:00AM	Jun/21 MBA Refi Index	552.4		552.7
10:00AM	May New Home Sales (ml)	0.619M	0.64M	0.634M
Thursday, Jun 27				
8:30AM	Jun/22 Jobless Claims (k)	233K	236K	238K
8:30AM	Jun/15 Continued Claims (ml)	1839K	1820K	1828K
8:30AM	May Durable goods (%)	0.1%	-0.1%	0.7%
8:30AM	Q1 GDP (%)	1.4%	1.4%	3.4%
10:00AM	May Pending Home Sales (%)	-2.1%	2.5%	-7.7%
Friday, Jun 28				
8:30AM	May Core PCE Inflation (y/y) (%)	2.6%	2.6%	2.8%
8:30AM	May Core PCE (m/m) (%)	0.1%	0.1%	0.2%
9:45AM	Jun Chicago PMI	47.4	40	35.4
10:00AM	Jun Consumer Sentiment (ip)	68.2	65.8	69.1
Monday, Jul 01				
10:00AM	Jun ISM Manufacturing PMI	48.5	49.1	48.7
10:00AM	Jun ISM Mfg Prices Paid	52.1	55.9	57.0
Tuesday, Jul 02				
9:30AM	Fed Chair Powell Speech			
10:00AM	May USA JOLTS Job Openings	8.14M	7.91M	8.059M
Wednesday, Jul 03				
8:15AM	Jun ADP jobs (k)	150K	160K	152K
8:30AM	Jun/29 Jobless Claims (k)	238K	235K	233K
10:00AM	May Factory orders mm (%)	-0.5%	0.2%	0.7%
10:00AM	Jun ISM Services Prices	56.3	56.7	58.1
10:00AM	Jun ISM N-Mfg PMI	48.8	52.5	53.8
2:00PM	FOMC Minutes			
Friday, Jul 05				

Event Importance:

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

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Date	Event	Actual	Forecast	Prior
8:30AM	Jun Average earnings mm (%)	0.3%	0.3%	0.4%
8:30AM	Jun Unemployment rate mm (%)	4.1%	4%	4%
8:30AM	Jun Non Farm Payrolls	206K	190K	272K

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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