

Tom Banducci
Branch Manager / Sr. Loan Advisor,
Cornerstone First Mortgage
NMLS #290222
315 Montgomery St. Suite 933 San Francisco, CA

Mobile: 415.606.7850
tbanducci@cfmtg.com
View My Website

Mortgage Rates Closing in on 4 Month Lows

Rates have been almost perfectly consistent in moving lower since February 13th and broadly consistent since January 15th. There's one big reason for that and it's simpler than you might think.

We'll set the stage with a quick look at Treasuries, which serve as a benchmark for other interest rates like mortgages. The chart uses "candlesticks" because they show an entire day's worth of movement in a single symbol. The bigger the green candle, the better the day was rates.



The chart makes it easy to see that January 15th and February 13th kicked off 2 of the biggest winning streaks for rates. Both dates mark surprisingly low inflation readings. Simply put, rates care a lot about inflation and when inflation is lower than expected, rates drop.

Some market watchers may note that February 12th also had important inflation data that came in higher than expected, thus accounting for the big red candlestick on that day. That was indeed a concern at the time, but the following day's data suggested that the February 12th data was a bit of a false alarm as discussed in our newsletter at the time.

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	99.95	+0.20
10 YR Treasury	4.9492	-0.0211
30 YR Treasury	5.3275	-0.0043

Pricing as of: 11/4 10:31AM 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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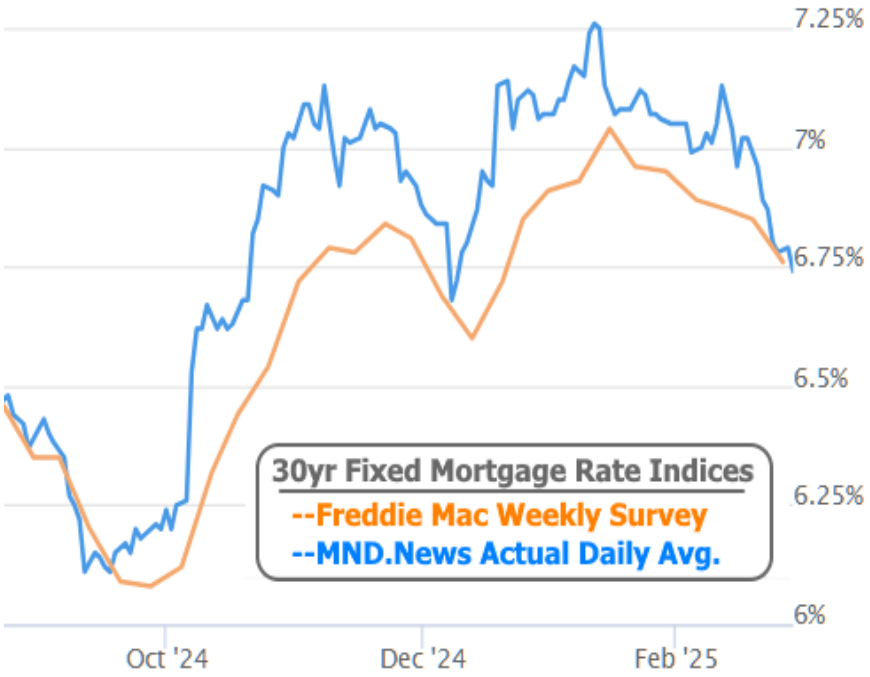
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Why go into all this confusing detail? Because as of Friday this week, we finally have the final word on inflation for the month of January in the form of the PCE Price Index.

PCE is a broader set of data compared to the CPI and PPI inflation reports that come out 2 weeks earlier. It was CPI that caused concern on Feb 12th and PPI that said "not so fast." Reason being, both of those reports have components that can help predict PCE inflation with reasonable accuracy. When PPI came out on the 13th, the market began positioning for lower PCE inflation than it had previously expected. Now that PCE is out, it seems the markets did a relatively perfect job of anticipating the results.

In terms of mortgage rates, this brings the average lender to the best levels since early December, and very close to the best levels since October.



Inflation may the biggest consideration for rates at the moment, but it's not the only consideration. Over the past week, there's been a much greater tendency for rates to move in concert with stock prices. NOTE: this is NOT a reliable correlation over time. Rates can often move the opposite direction from stocks if the market is reacting to Fed policy (i.e. the promise of faster Fed rate cuts could help stocks move higher while rates move lower, for instance). But when something like the economic outlook is driving trade, concerns over economic weakness can push stocks and rates lower.

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To reiterate how imperfect this correlation can be, simply consider a longer time frame of the exact same data:



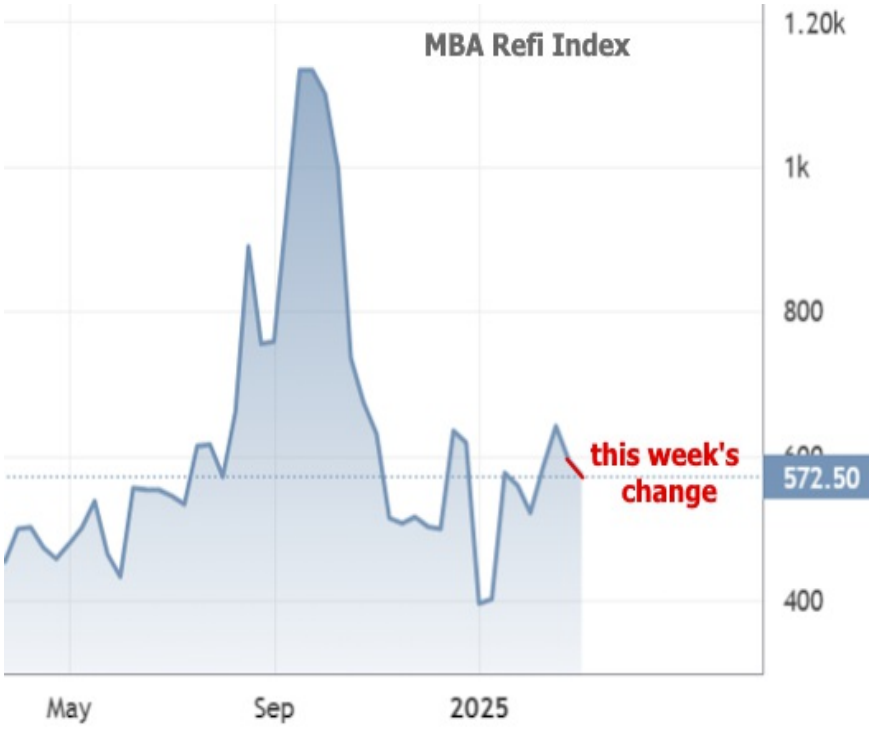
This week's other economic data was of little-to-no consequence to rates, but may still be interesting to those with a stake in the mortgage/housing markets. Full stories are linked in the "Around the Web" section of the newsletter, but here's a quick chart-focused preview of that news:

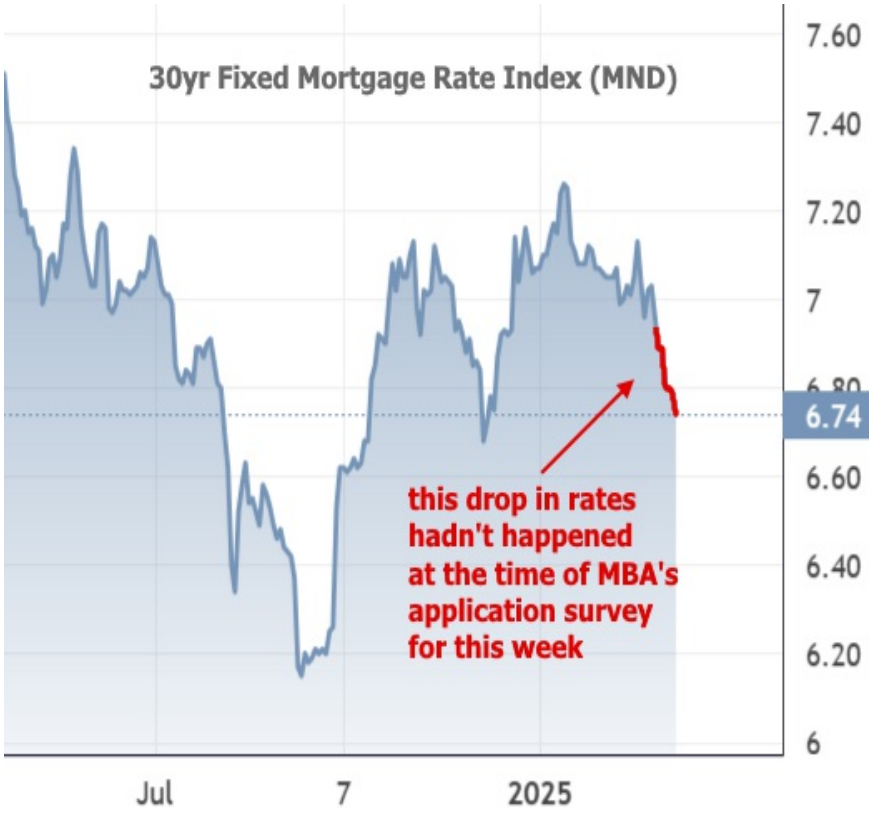
Mortgage refinance applications moved slightly LOWER according to the MBA until you consider that most of the recent improvement in rates happened after those survey responses were collected.

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The Census Bureau reported New Home Sales for January, and while the total fell by a seemingly significant 10.5%, the margin of error is high, and the pace of sales remains calmly in line with most of the past 8-9 years (apart from the post-covid spike).

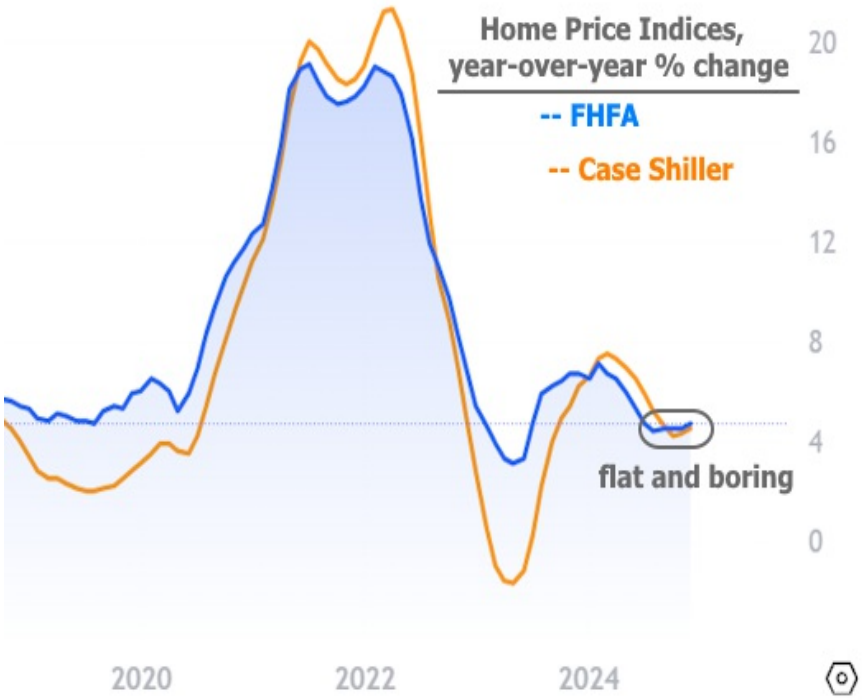
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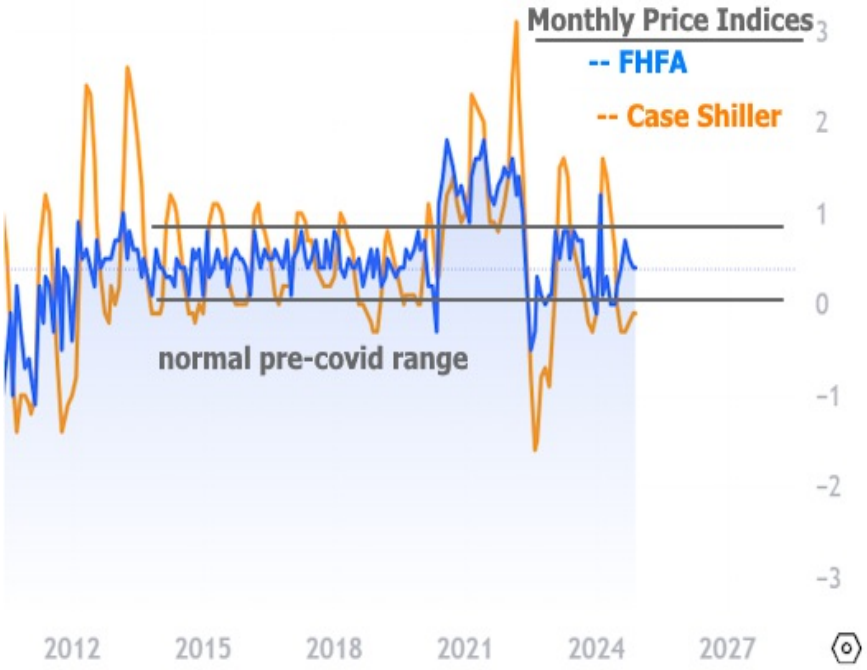
Home price appreciation remains very boring and very much in line with prevailing pre-pandemic levels, whether viewed in annual or monthly terms.



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The week ahead brings a the most highly consequential slate of economic data on any given month culminating in the big jobs report on Friday. If the jobs report falls far enough from forecasts, it can have just as big of an impact as the various inflation reports discussed above. Several other reports throughout the week are strong supporting actors. If the data is unified in its message about economic growth or contraction, rates would almost certainly be moving in the implied direction (weaker economy = lower rates, stronger economy = higher rates).

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Tuesday, Feb 25				
9:00AM	Dec FHFA Home Prices y/y (%)	4.7%		4.2%
9:00AM	Dec Case Shiller Home Prices-20 y/y (%)	4.5%	4.4%	4.3%
10:00AM	Feb CB Consumer Confidence (%)	98.3	102.5	104.1
Wednesday, Feb 26				
7:00AM	Feb/21 MBA Refi Index	572.5		593.6
7:00AM	Feb/21 MBA Purchase Index	144.3		144.0
10:00AM	Jan New Home Sales (ml)	0.657M	0.68M	0.698M
Thursday, Feb 27				
8:30AM	Jan Durable goods (%)	3.1%	2%	-2.2%
8:30AM	Q4 GDP (%)	2.3%	2.3%	3.1%
8:30AM	Feb/22 Jobless Claims (k)	242K	221K	219K
10:00AM	Jan Pending Home Sales (%)	-4.6%	-1.3%	-5.5%
Friday, Feb 28				

Event Importance:

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

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Date	Event	Actual	Forecast	Prior
8:30AM	Jan Core PCE Inflation (y/y) (%)	2.6%	2.6%	2.8%
8:30AM	Jan Core PCE (m/m) (%)	0.3%	0.3%	0.2%
9:45AM	Feb Chicago PMI	45.5	40.6	39.5
Monday, Mar 03				
10:00AM	Feb ISM Manufacturing PMI	50.3	50.5	50.9
Wednesday, Mar 05				
8:15AM	Feb ADP jobs (k)	77K	140K	183K
10:00AM	Feb ISM N-Mfg PMI	53.5	52.6	52.8
10:00AM	Feb ISM Services Prices	62.6	60.0	60.4
Thursday, Mar 06				
8:30AM	Mar/01 Jobless Claims (k)	221K	235K	242K
10:00AM	Jan Wholesale inventories mm (%)	0.8%	0.7%	-0.5%
Friday, Mar 07				
8:30AM	Feb Non Farm Payrolls	151K	160K	143K
8:30AM	Feb Unemployment rate mm (%)	4.1%	4%	4%
12:30PM	Fed Chair Powell Speech			

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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