

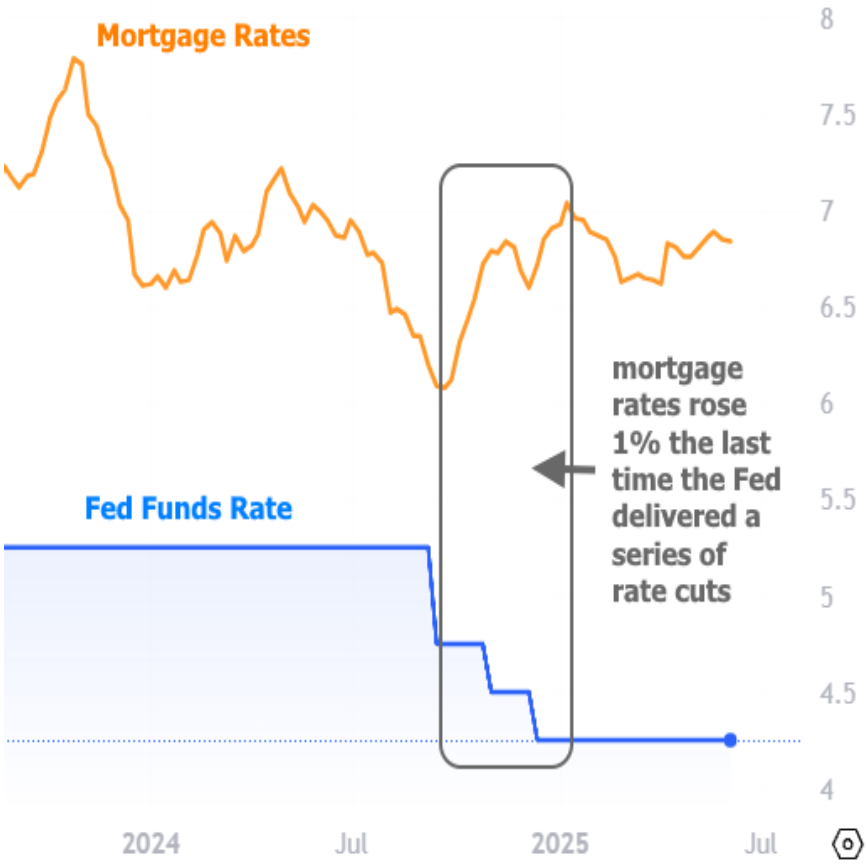
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Fed Holds Steady; Mortgage Rates Fall

This week ended up being underwhelming in terms of interest rate movement despite the much-anticipated Fed announcement on Wednesday.

Anticipation aside, there was zero chance of a rate cut at this week's meeting. While that has some voices in the mortgage/housing space up in arms, our pre-Fed thesis bears repeating.



This doesn't necessarily mean that mortgage rates would have risen in response to a Fed rate cut this time around. Rather, it's a reminder that the Fed doesn't set mortgage rates and that the Fed Funds Rate won't necessarily correlate with mortgage rates except in the biggest of pictures (and even then, only because both rates correlate with the broader economy and inflation).

This week's Fed announcement was nonetheless still potentially interesting due to other things the Fed may have said. First up was the dot plot--a chart that shows individual Fed members' projection for the Fed Funds Rate in the

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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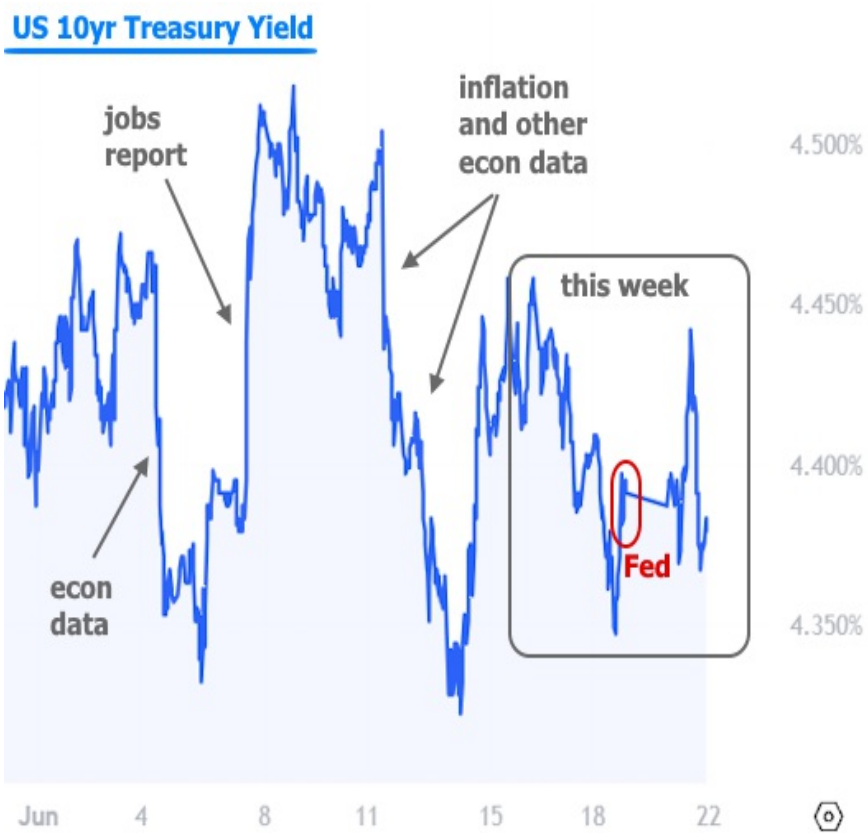
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future. The dots showed a division among Fed members with some seeing more cuts than last time, but slightly more seeing higher rates.

The divergence is due to differing interpretations of the tariff implementation. Some see a higher likelihood of a negative economic impact (which would lead them to foresee lower rates) while others are more concerned with the potential inflationary impact (which would lead others to keep rates where they are).

Either way, the party line has been fairly clear and unified: the Fed feels like it can wait to decide on cutting until it has more time to assess which outcome is winning.

None of this was very exciting for rates this week. Recent economic reports have had a far bigger impact, as seen in the following chart of 10yr Treasury yields (a common benchmark for longer term interest rates, like mortgages).



It wasn't just longer term rates. Even if we drill down to specific Fed Funds Rate expectations, we saw far more movement in response to a few comments from Fed speakers on Friday than we did to Wednesday's Fed announcement itself.

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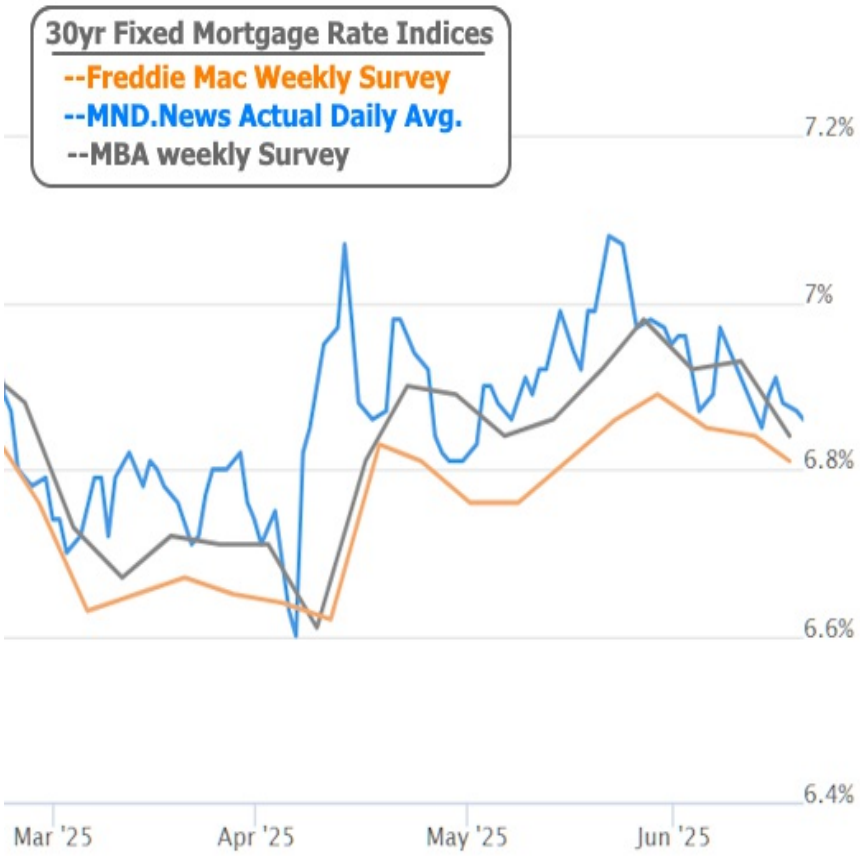
Friday's comments represented the more dovish concerns of some Fed members. Specifically, Fed's Waller said there was room to look through the inflationary impact of tariffs and bring rates down a bit. He'd rather start cutting slowly now in order to preempt undue economic stress, and then reassess any unforeseen tariff impacts before cutting further.

All of the above coincided with mortgage rates enjoying an ongoing but exceedingly gentle decline after hitting multi-month highs on May 21st.

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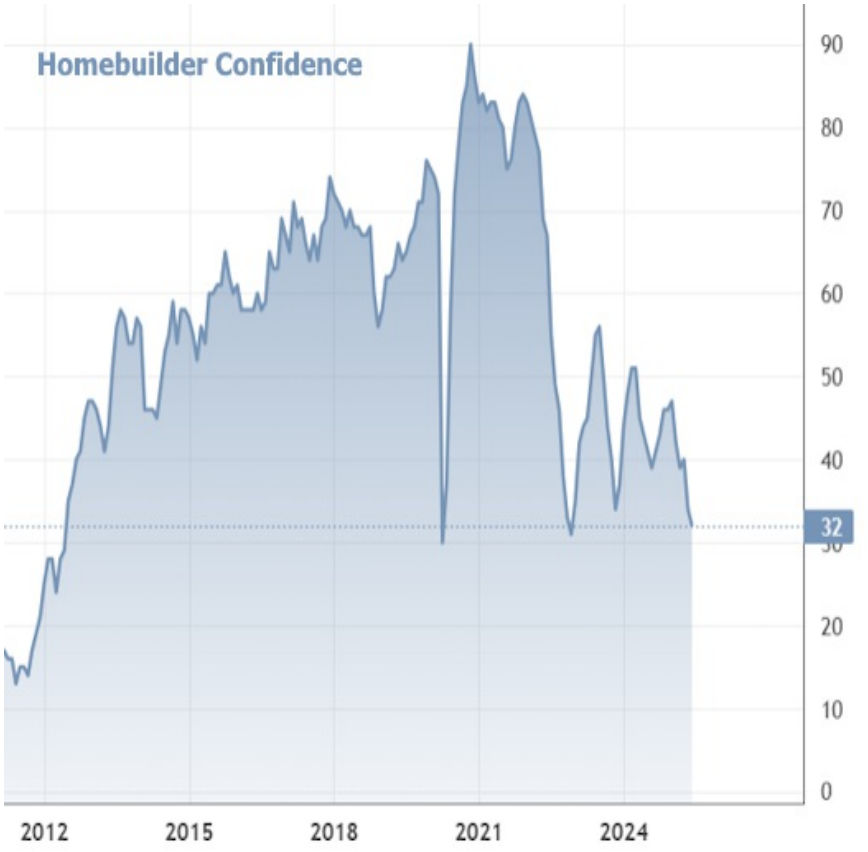
In housing related news this week, construction metrics languished with housing starts and builder sentiment near recent lows.

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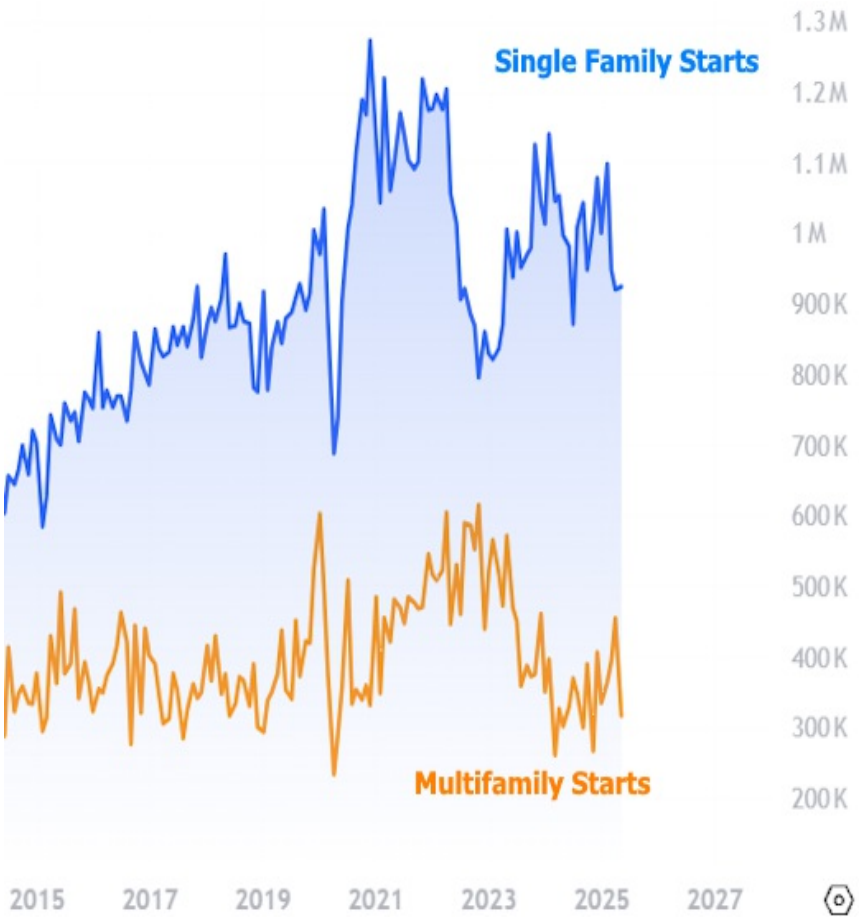


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On a positive note, a closer examination shows a slight uptick in housing starts for single family homes. In other words, the multifamily sector drove the decline.



Next week brings more housing data with updated home price indexes on Tuesday, new home sales on Wednesday, and Pending Home Sales on Thursday. There will be a slew of additional Fed speakers including Powell's semi annual congressional testimony as well as a relatively important inflation report (PCE) on Friday.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Monday, Jun 16				
8:30AM	Jun NY Fed Manufacturing	-16.00	-5.5	-9.20
Tuesday, Jun 17				
8:30AM	May Retail Sales Control Group MoM	0.4%	0.3%	-0.2%
8:30AM	May Retail Sales (%)	-0.9%	-0.7%	0.1%
8:30AM	May Import prices mm (%)	0%	-0.2%	0.1%
9:15AM	May Industrial Production (%)	-0.2%	0.1%	0%
10:00AM	Apr Business Inventories (%)	0%	0%	0.1%
10:00AM	Jun NAHB housing market indx	32	36	34

Event Importance:

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

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Date	Event	Actual	Forecast	Prior
Wednesday, Jun 18				
7:00AM	Jun/13 MBA Refi Index	692.4		707.4
7:00AM	Jun/13 MBA Purchase Index	165.8		170.9
8:30AM	May Housing starts number mm (ml)	1.256M	1.36M	1.361M
8:30AM	May Building Permits (ml)	1.393M	1.43M	1.422M
8:30AM	Jun/14 Jobless Claims (k)	245K	245K	248K
8:30AM	Jun/07 Continued Claims (ml)	1945K	1940K	1956K
2:00PM	Fed Interest Rate Decision	4.5%	4.5%	4.5%
2:00PM	FOMC Economic Projections			
2:30PM	Fed Press Conference			
Friday, Jun 20				
8:30AM	Jun Philly Fed Business Index	-4.0	-1	-4.0
Monday, Jun 23				
9:45AM	Jun S&P Global Services PMI	53.1	52.9	53.7
Tuesday, Jun 24				
9:00AM	Apr FHFA Home Prices y/y (%)	3%		3.7%
9:00AM	Apr Case Shiller Home Prices-20 y/y (%)	3.4%	4%	4.1%
10:00AM	Jun CB Consumer Confidence (%)	93	100	98.0
10:00AM	Fed Chair Powell Testimony			
Wednesday, Jun 25				
10:00AM	May New Home Sales (ml)	0.623M	0.69M	0.743M
10:00AM	Fed Chair Powell Testimony			
Thursday, Jun 26				
8:30AM	May Durable goods (%)	16.4%	8.5%	-6.3%
8:30AM	Q1 GDP (%)	-0.5%	-0.2%	2.4%
8:30AM	Jun/21 Jobless Claims (k)	236K	245K	245K
10:00AM	May Pending Home Sales (%)	1.8%	-0.3%	-6.3%
Friday, Jun 27				
8:30AM	May Core PCE (m/m) (%)	0.2%	0.1%	0.1%
8:30AM	May Core PCE Inflation (y/y) (%)	2.7%	2.6%	2.5%
10:00AM	Jun Consumer Sentiment (ip)	60.7	60.5	52.2

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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.

Tom Banducci 

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