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Lowest Mortgage Rates in 4 Weeks After July's Inflation Data

Rates may still be elevated in a general sense, but by the end of the week, they were as low as they've been since July 17th. If we have one thing to thank, it was this week's inflation data.

Things didn't start out on an optimistic note, however. Bond yields (which correlate with interest rates) moved sharply higher with oil prices on Monday as hopes for a U.S./Iran peace deal faded and risks increased of a prolonged blockade of the Strait of Hormuz. Thankfully, prices stabilized by Tuesday morning and the bond market began positioning for the week's two key inflation reports.

The first inflation report was the Consumer Price Index (CPI) on Wednesday morning. While this is typically a much stronger source of inspiration than other inflation reports, it failed to have much of an impact this time around--largely because it came in almost perfectly in line with expectations. Bonds were apparently positioning for better news and thus ended up edging back toward higher rates by the end of the day.

That momentum shifted on Thursday after the release of July's Producer Price Index (PPI), which measures inflation at the wholesale level. PPI managed to come in slightly below forecasts in several key areas--a notable achievement given the higher fuel prices seen in July. Bond yields dropped sharply, helping mortgage rates hit their lowest levels in 4 weeks.

Friday's Retail Sales data came in far below forecasts. At first glance, this offered hope that rates would go even lower (weaker economic data = lower rates, all else equal). But several caveats detracted from the rate-friendly message. Most of the drop in retail sales was accounted for by timing idiosyncrasies relating to Amazon's Prime Day. In addition, the reported drop in fuel sales was distorted by seasonal factors. After adjusting for those caveats, the market treated the sales data as decent news with bond yields moving back up to mid-week highs.

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	99.98	+0.23
10 YR Treasury	4.9492	-0.0211
30 YR Treasury	5.3313	-0.0005

Pricing as of: 11/4 10:13AM EST

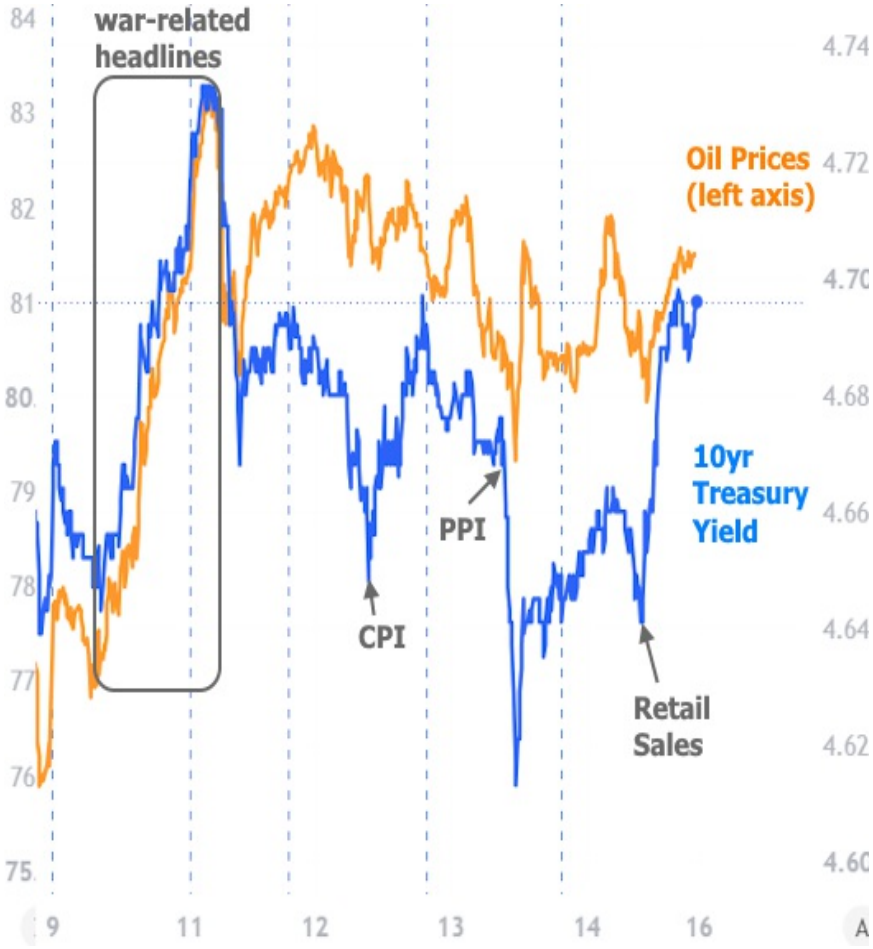
Recent Housing Data

		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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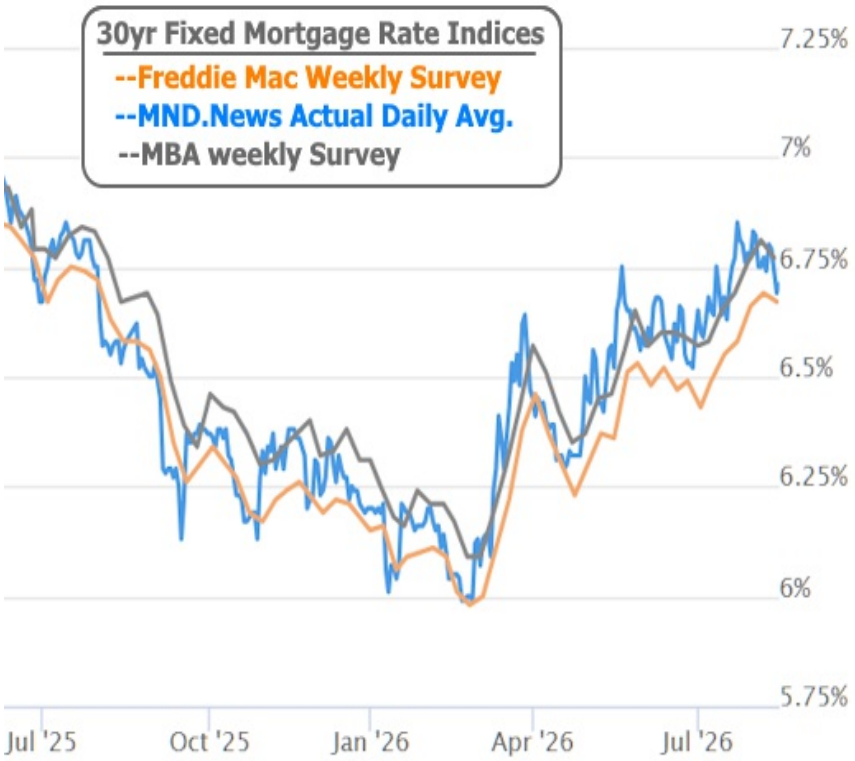


Fortunately, mortgage-specific bonds held up better than 10yr Treasuries. Moreover, the average lender hadn't fully adjusted Thursday's rates to reflect the bond market rally. As such, Friday's rates were only modestly higher. Bottom line, Thursday and Friday's rates were effectively the lowest since July 17th.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Tuesday, Aug 11				
10:00AM	Jul Existing home sales (ml)	4.06M	4.05M	4.09M
Wednesday, Aug 12				
7:00AM	Aug/07 MBA Refi Index	744.4		709.1
7:00AM	Aug/07 MBA Purchase Index	157.9		154.0
8:30AM	Jul y/y CORE CPI (%)	2.5%	2.5%	2.6%
Thursday, Aug 13				
8:30AM	Jul Core PPI y/y (%)	4.2%	4.2%	4.7%
8:30AM	Aug/08 Jobless Claims (k)	209K	202K	199K
Friday, Aug 14				
8:30AM	Jul Retail Sales (%)	-0.6%	0.1%	0.2%
10:00AM	Aug Consumer Sentiment (ip)	51.0	54.5	55.2
Monday, Aug 17				
8:30AM	Aug NY Fed Manufacturing	20.60	11	15.60
10:00AM	Aug NAHB housing market indx	35	33	34
Tuesday, Aug 18				
8:30AM	Jul Building Permits (ml)	1.443M	1.37M	1.374M

Event Importance:

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

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Date	Event	Actual	Forecast	Prior
9:15AM	Jul Industrial Production (%)	0.2%	0.3%	0.1%
10:00AM	Jul Pending Home Sales (%)	-2.3%	0.3%	-5.4%
Wednesday, Aug 19				
2:00PM	FOMC Minutes			
Thursday, Aug 20				
8:30AM	Aug Philly Fed Business Index	47.4	25	41.4

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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