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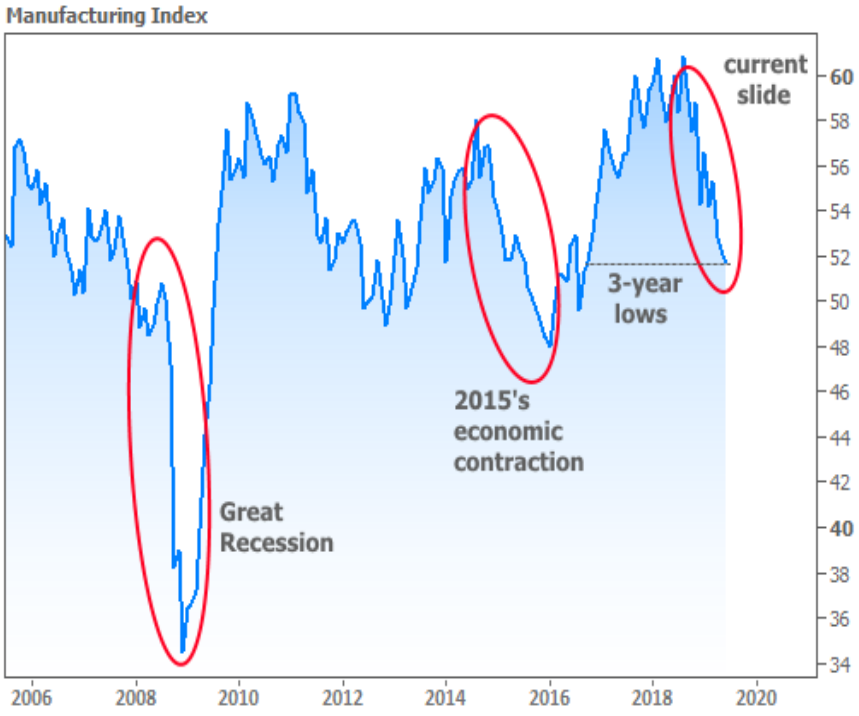
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Jobs Report Fires Warning Shot For Rates

Interest rates have been on a tear. They've fallen faster and farther than at any other time in the past 8 years. By some measures, they've managed to maintain positive momentum for as long as they ever do. This naturally begs the question: is it time for a bounce?

Investors expected some clarity on that question from this week's economic data. This was the first look at several of the **most important** reports since the last Fed meeting. At that meeting, the Fed acknowledged investor expectations for rate cuts in 2019, but on the condition of lackluster economic data.

In that regard, this week provided some **massively mixed messages**. At first, it looked like the data would indeed endorse a continuation of the trend toward even lower rates. The Institute for Supply Management (ISM) released its Purchasing Managers Indices (PMIs) for the manufacturing and non-manufacturing sectors on Monday and Wednesday respectively. Although they weren't very far from forecasts, both qualified as lackluster as they did nothing to challenge the notion that we're in one of the weaker patches of the economic cycle.



National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	6.91%	0.00	0.00
15 Yr. Fixed	6.48%	+0.01	0.00
30 Yr. FHA	6.39%	0.00	0.00
30 Yr. Jumbo	7.29%	-0.01	0.00
5/1 ARM	6.61%	0.00	0.00
Freddie Mac			
30 Yr. Fixed	6.79%	-0.65	0.00
15 Yr. Fixed	6.11%	-0.65	0.00

Rates as of: 3/28

Market Data

	Price / Yield	Change
MBS UMBS 5.5	99.48	-0.17
MBS GNMA 5.5	99.95	-0.15
10 YR Treasury	4.2008	+0.0128
30 YR Treasury	4.3436	-0.0054

Pricing as of: 3/28 2:05PM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Mar 27	196.8	-0.71%
Building Permits	Feb	1.52M	+1.95%
Housing Starts	Feb	1.52M	+10.7%
New Home Sales	Feb	662K	+0.15%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%
Builder Confidence	Mar	51	+6.25%

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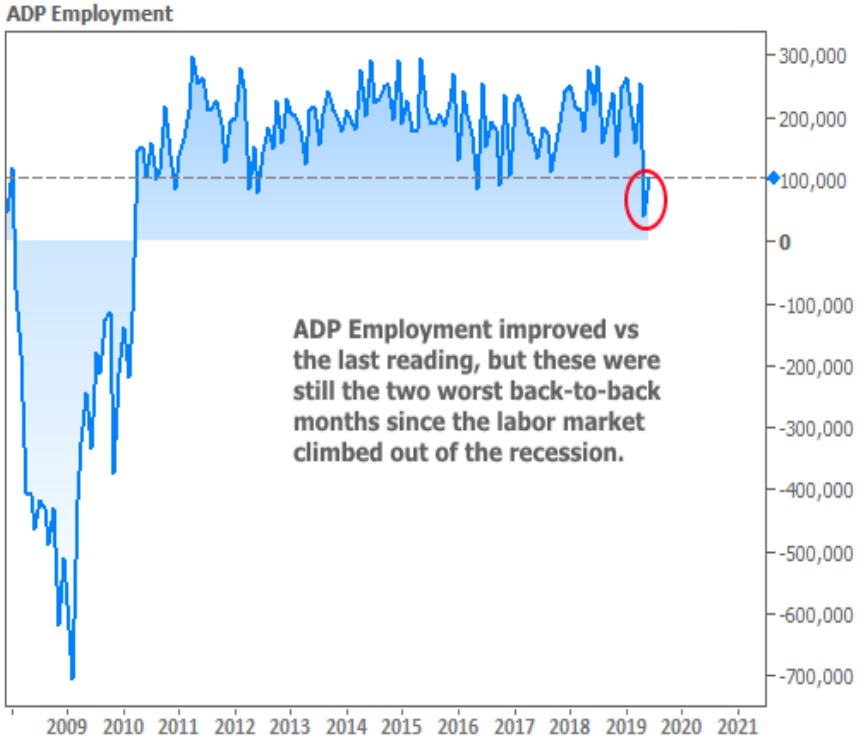
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ISM PMIs are two of the most important monthly economic reports in terms of the ability to influence interest rates. They're second only the Employment Situation (aka "the jobs report" or "NFP" for its headline component: nonfarm payrolls) and occasionally the ADP Employment Report, which can be used as an early indicator for NFP.

ADP and NFP were more closely watched than normal this week because both were quite a bit lower than normal last time around. ADP was first up on Wednesday. While it didn't convey quite as much weakness as last time, it was weak enough to keep rates **at long-term lows** (and to keep anticipation running high for Friday's NFP number).

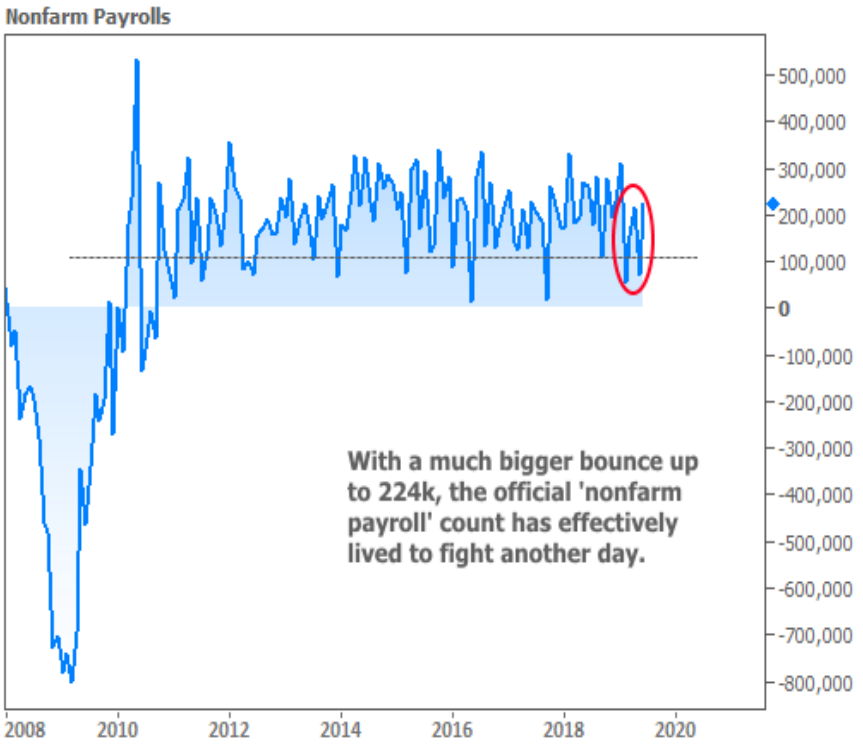


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NFP also bounced back, but in **much grander fashion** than ADP, coming in at 224k compared to 72k last month--handily beating the median forecast of 160k.



Whereas Wednesday's data helped rates to break below the recent trend of "higher lows" (lower red line in the following chart), Friday's jobs data completely reversed those gains.



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At first glance, that may **look** like defeat for fans of low rates. Indeed, that may prove to be the case in the coming days. But Friday's rate spike stalled out at a level that leaves **some room for hope**. In terms of the 10yr Treasury yield (the best benchmark for momentum in long-term rates like mortgages), rates bounced perfectly on the ceiling that's been intact since the June 19th Fed meeting.



All that to say that although the jobs report **raises doubts** as to just how eager the Fed should be to cut rates, investors aren't giving up on the idea easily. That makes good sense considering the economic picture is too complex for a single economic report to adequately capture. The jobs report may remove some apprehension about a shift in the labor market, but it doesn't magically erase weakness seen in other reports.

The most important repercussion of this week's data is for the Fed. Had NFP been weak, it would have been an easy call for the Fed to cut rates in their meeting at the end of July. Had the ISM and ADP data been as strong as NFP, leaving rates unchanged would have been a similarly easy call. As it stands, the implication is **somewhere in between**. We'll have a great sneak peek at the Fed's thought process in light of this data when Fed Chair Powell delivers his semi-annual congressional testimony on Tuesday and Wednesday next week.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Monday, Jul 01				
10:00AM	Jun ISM Manufacturing PMI	51.7	51.0	52.1
10:00AM	May Construction spending (%)	-0.8	0.1	0.0
Tuesday, Jul 02				
9:45AM	Jun ISM-New York index	882.1		882.1
Wednesday, Jul 03				

Event Importance:

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

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Date	Event	Actual	Forecast	Prior
7:00AM	w/e Mortgage Refinance Index	1925.6		1949.5
7:00AM	w/e MBA Purchase Index	269.3		266.3
8:15AM	Jun ADP National Employment (k)	102.0	140	27
8:30AM	May International trade mm $ (bl)	-55.5	-54.0	-50.8
8:30AM	w/e Jobless Claims (k)	221	220	227
10:00AM	Jun ISM N-Mfg PMI	55.1	55.9	56.9
10:00AM	May Factory orders mm (%)	-0.7	-0.5	-0.8
Friday, Jul 05				
8:30AM	Jun Non-farm payrolls (k)	+224	160	75
8:30AM	Jun Unemployment rate mm (%)	3.7	3.6	3.6
8:30AM	Jun Average earnings mm (%)	+0.2	0.3	0.2
Tuesday, Jul 09				
1:00PM	3-Yr Note Auction (bl)	38		
Wednesday, Jul 10				
7:00AM	w/e MBA Purchase Index	275.6		269.3
7:00AM	w/e Mortgage Refinance Index	1799.7		1925.6
10:00AM	May Wholesale inventories mm (%)	0.4	0.4	0.4
1:00PM	10-yr Note Auction (bl)	24		
Thursday, Jul 11				
8:30AM	Jun Core CPI (Annual) (%)	2.1	2.0	2.0
8:30AM	w/e Jobless Claims (k)	209	216	221
1:00PM	30-Yr Bond Auction (bl)	16		
Friday, Jul 12				
8:30AM	Jun Core Producer Prices YY (%)	2.3	2.2	2.3

All Your Mortgage Needs, Professionally Delivered with a Personal Touch

Whether you're a first-time homebuyer hoping to navigate the process of buying a home so that it is a fun and anxiety-free process or a homeowner looking for refinance options that deliver more freedom and flexibility, I can help you analyze your current situation and find money saving options. With expertise in all areas of mortgage and financing, my hope is that once I become your mortgage partner, I'll stay your mortgage partner. With clients from A to Z, files never leave my hands or my desk. From start to finish, every step of the way, my goal is to keep the lines of communication open, provide complete and attentive service, and ensure the most seamless and satisfactory process possible.

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