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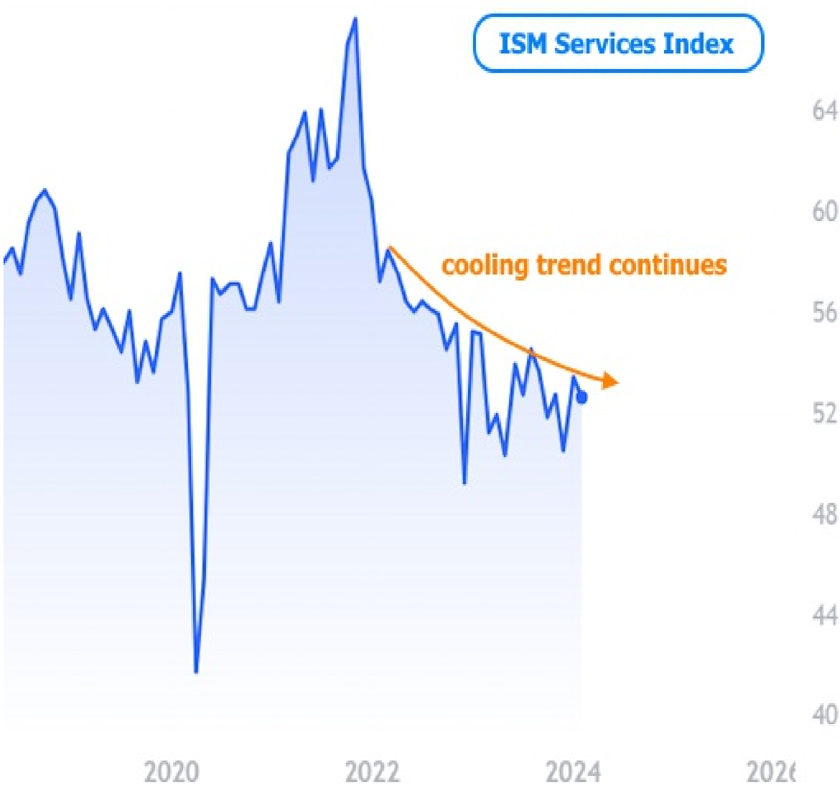
# Lowest Rates in Over a Month. Upcoming Inflation Data Casts a Critical Vote

It was a hotly anticipated week for interest rates due to the arrival of the first batch of big ticket economic data since the Inflation report that came out on February 13th. This week's data was much more friendly, but next week's data is even more important.

The first major report of the week was the Non-Manufacturing index from ISM (or ISM Services). While this may not be a household name report, it frequently moves markets. In general, lower index values are better for rates, and that's what we got. Even though the drop wasn't very big, it fits inside the cooling trend of the past two years.




The ISM Services data includes other components as well. One closely watched component is the "prices paid" index which speaks to inflation trends. As always, lower inflation is good for rates and vice versa. With that in mind, this week's report was a relief because it undid a potentially alarming spike seen in the last installment.

## National Average Mortgage Rates


| | Rate | Change | Points |
|---|---|---|---|
| **Mortgage News Daily** | | | |
| 30 Yr. Fixed | 6.86% | -0.05 | 0.00 |
| 15 Yr. Fixed | 6.31% | -0.02 | 0.00 |
| 30 Yr. FHA | 6.32% | -0.06 | 0.00 |
| 30 Yr. Jumbo | 7.04% | -0.03 | 0.00 |
| 5/1 ARM | 6.53% | -0.02 | 0.00 |
| **Freddie Mac** | | | |
| 30 Yr. Fixed | 6.78% | -0.08 | 0.00 |
| 15 Yr. Fixed | 6.07% | -0.09 | 0.00 |

Rates as of: 7/26

## Market Data

| | Price / Yield | Change |
|---|---|---|
| MBS UMBS 5.5 | 99.68 | +0.27 |
| MBS GNMA 5.5 | 99.98 | +0.13 |
| 10 YR Treasury | 4.1958 | -0.0474 |
| 30 YR Treasury | 4.4523 | -0.0305 |

Pricing as of: 7/26 5:59PM EST

## Recent Housing Data

| | | Value | Change |
|---|---|---|---|
| Mortgage Apps | Jul 10 | 206.1 | -0.19% |
| Building Permits | Mar | 1.46M | -3.95% |
| Housing Starts | Mar | 1.32M | -13.15% |
| New Home Sales | Mar | 693K | +4.68% |
| Pending Home Sales | Feb | 75.6 | +1.75% |
| Existing Home Sales | Feb | 3.97M | -0.75% |
| Builder Confidence | Mar | 51 | +6.25% |

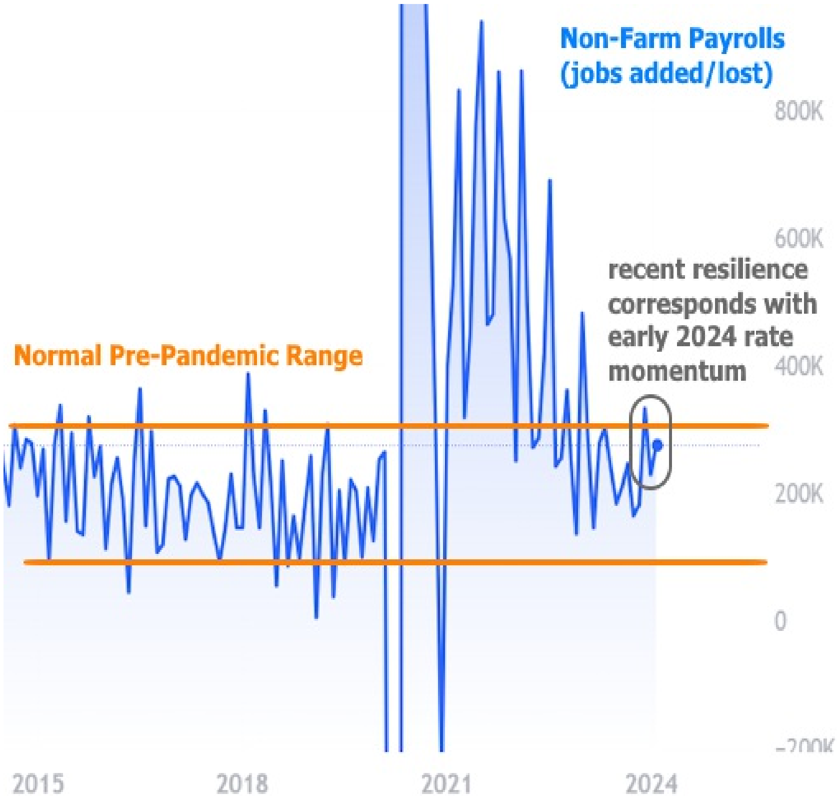

The following morning, another big ticket report corroborated the notion of economic cooling. The Job Openings survey measures the labor market from a slightly different angle than the big jobs report that headlined the week, but it has increasingly caused volatility in rates over the past few years. This week's release didn't have a huge impact, but it didn't have a bad impact either!

Another component of the job openings data known as the "quits" rate measures the amount of workers voluntarily ending their own employment. It's regarded as a good indicator of a shift in economic momentum because people are less likely to quit their jobs if the economy is contracting.

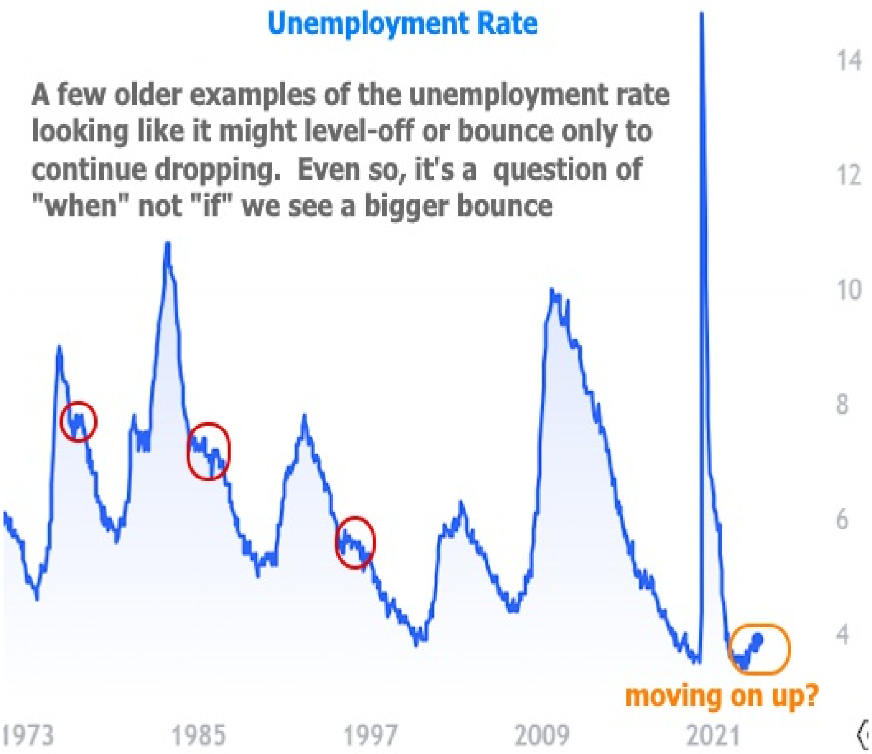

One important caveat on the labor market data is the notion of "right sizing." Employment metrics exploded higher after lockdowns ended and, in many regards, have only just returned in line with the previous trend. Everything's relative.


Even though job openings data has been surprisingly relevant recently, nothing compares to the big jobs report when it comes to employment data moving the market. Friday's example was incredibly interesting and perhaps even downright confusing. Nonfarm Payrolls (NFP), the headline component of the jobs report is simply a measurement of jobs added or lost on any given month. It frequently comes in significantly higher or lower than expected and it's frequently revised by just as much in the 2 months after the initial release.

Friday's release was indeed much higher than expected at 275k vs a median forecast of 200k, but last month's super high reading of 353k was revised lower by even more, down to 229k. That went a long way in offsetting the damage we might have otherwise seen on Friday. The counterpoint is that job counts are still elevated relative to their pre-pandemic range.



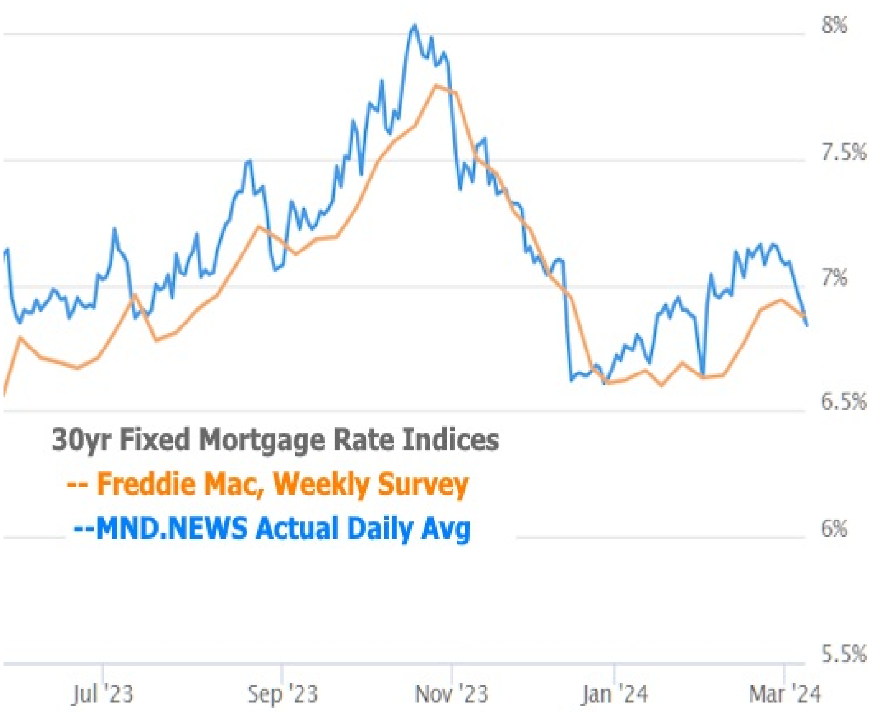

But other components of the report helped the bond market work through the data without rates losing any ground. These included things like wage growth coming in 0.4% lower and the unemployment rate ticking up 0.2%. It's an open question as to whether we're seeing signs of a classic parabolic shift in the unemployment rate or merely one of the sorts of "ledges" seen decades ago.



Taken in conjunction with Thursday and Friday's economic data from last week, these 7 business days have been almost exclusively good for interest rates.


In the bigger picture, these 7 business days are going a long way to push back against the rising rate trend that dominated the first 2 months of the year.


Mortgage rates are getting in on the improvements as well.



The chart above shows room to run before challenging the recent lows, but also plenty of room to rise overhead. The most critical deciding factor between those two outcomes has been and continues to be the true state of inflation in the U.S. The most important economic report when it comes to inflation is the Consumer Price Index (CPI), and we'll get the next monthly installment this coming Tuesday. If CPI comes in hot, rates will likely shoot back up toward last week's highs. If it comes in lower than expected, rates could continue to improve.

A week later, the Fed releases its next policy announcement and updated rate projections. It's not an overstatement to say that a big enough surprise in CPI could have a meaningful impact on those projections as well as the words the Fed uses to discuss the prospect of rate cuts later this year. While it's true that the Fed Funds Rate doesn't dictate mortgage rates, the market's expectations for the Fed Funds Rate are much more correlated. CPI arrives on Tuesday morning at 8:30am ET.

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## Recent Economic Data

| Date | Event | Actual | Forecast | Prior |
|---|---|---|---|---|
| **Tuesday, Mar 05** | | | | |
| 10:00AM | Feb ISM N-Mfg PMI | 52.6 | 53 | 53.4 |
| **Wednesday, Mar 06** | | | | |
| 7:00AM | Mar/01 MBA Refi Index | 428.1 | | 395.9 |
| 7:00AM | Mar/01 MBA Purchase Index | 141.1 | | 127.6 |
| 8:15AM | Feb ADP jobs (k) | 140K | 150K | 107K |
| 10:00AM | Jan USA JOLTS Job Openings | 8.863M | 8.9M | 9.026M |
| 10:17AM | Powell Testimony (House Committee) | | | |
| **Thursday, Mar 07** | | | | |
| 8:30AM | Mar/02 Jobless Claims (k) | 217K | 215K | 215K |
| 8:30AM | Feb/24 Continued Claims (ml) | 1906K | 1889K | 1905K |
| 8:30AM | Q4 Nonfarm Productivity QoQ Final | 3.2% | 3.1% | 4.9% |
| 8:30AM | Q4 Unit Labour Costs QoQ Final | 0.4% | 0.6% | -1.1% |
| 10:00AM | Fed Chair Powell Testimony | | | |
| **Friday, Mar 08** | | | | |
| 8:30AM | Feb Average earnings mm (%) | 0.1% | 0.3% | 0.6% |
| 8:30AM | Feb Non Farm Payrolls | 275K | 200K | 353K |
| 8:30AM | Feb Unemployment rate mm (%) | 3.9% | 3.7% | 3.7% |
| **Monday, Mar 11** | | | | |
| 1:00PM | 3-Yr Note Auction (bl) | 56 | | |
| **Tuesday, Mar 12** | | | | |
| 8:30AM | Feb y/y CORE CPI (%) | 3.8% | 3.7% | 3.9% |
| 8:30AM | Feb m/m CORE CPI (%) | 0.4% | 0.3% | 0.4% |
| 1:00PM | 10-Year Note Auction | 4.166% | | 4.093% |
| **Wednesday, Mar 13** | | | | |
| 1:00PM | 30-Year Bond Auction | 4.331% | | 4.36% |

## Event Importance:

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

| Date | Event | Actual | Forecast | Prior |
|---|---|---|---|---|
| **Thursday, Mar 14** | | | | |
| 8:30AM | Feb Core Producer Prices MM (%) | 0.3% | 0.2% | 0.5% |
| 8:30AM | Feb Core Producer Prices YY (%) | 2% | 1.9% | 2% |
| 8:30AM | Mar/09 Jobless Claims (k) | 209K | 218K | 217K |
| 8:30AM | Feb Retail Sales (%) | 0.6% | 0.8% | -0.8% |
| 10:00AM | Jan Business Inventories (% ) | 0% | 0.2% | 0.4% |
| **Friday, Mar 15** | | | | |
| 8:30AM | Mar NY Fed Manufacturing | -20.9 | -7 | -2.4 |
| 8:30AM | Feb Import prices mm (%) | 0.3% | 0.3% | 0.8% |
| 9:15AM | Feb Industrial Production (%) | 0.1% | 0% | -0.1% |

## Navigating Current Market Trends Together!

Hello and welcome! This page is designed with you in mind, serving as your go-to resource for all things mortgage-related. My goal is to keep you updated on market trends, changes in mortgage rates, and other relevant financial news that could impact your home buying, refinancing, or investment decisions.

As a seasoned Loan Officer at Mortgage 1, Inc., I understand that the mortgage process can be complex. That's why I'm dedicated to standing in your corner, ready to provide expert advice and clear explanations to help you understand the ins and outs of the mortgage market.

But this page is about more than just providing updates. It's about creating an open line of communication between us. Your financial journey is unique, and I'm here to answer any questions or concerns you might have, at any time. So feel free to reach out via phone or email whenever you need.

I aim to be a resource to my clients and service partners, ensuring you feel confident and knowledgeable about your mortgage options. I believe that informed decisions are the best decisions, and I'm committed to giving you the tools to navigate your financial journey with confidence.

So welcome aboard! I look forward to connecting with you, assisting you, and celebrating your financial milestones together. Here's to a successful partnership and your prosperous future!

**Adam Fuller - The Fuller Team**