



**Amit Gandhi, MBA, CAPP™, CWPP™**  
 VP | Financial Advisor | Mortgage Broker, 108 Capital Management | HBL  
 2500 NE Green Oaks Blvd. Ste 202A Arlington, Texas 76006

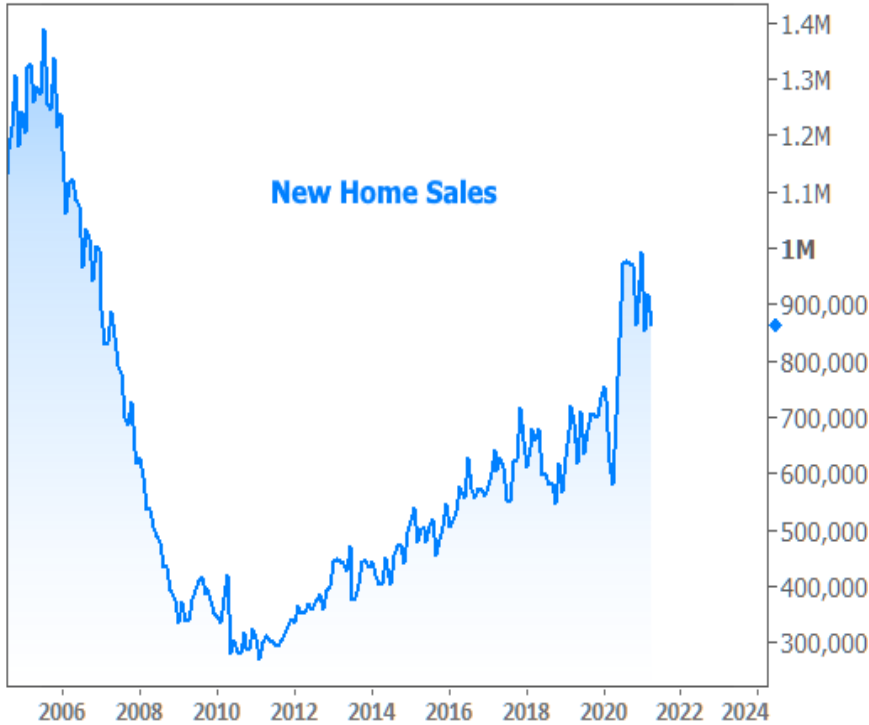
Office: 972-213-5368  
 Mobile: 972-213-5368  
 Fax: 855-940-1899  
[amit@108capitalmgmt.com](mailto:amit@108capitalmgmt.com)  
[View My Website](#)

## Highest Inflation in Decades, But Housing Has a Bigger Problem

Inflation is bad for interest rates and it's at the highest levels in decades. But the housing market has a far bigger problem.

Actually, it's **not hard** for a problem to become bigger than rates right now considering we're still at levels that would have been record lows at any other time before covid. Moreover, rising rates (within reason) might **help** to tap the breaks on what has been an unprecedented disparity between supply and demand.

That brings us to **the big problem**: supply--or rather, the lack thereof. Lamenting the lack of housing inventory is a common refrain, but it's never been more relevant. The ill effects are increasingly visible as various home sales metrics have failed to advance for several months now. This week's update on New Home Sales provided the most recent example, falling moderately and undershooting expectations.



## National Average Mortgage Rates



	Rate	Change	Points
<b>Mortgage News Daily</b>			
30 Yr. Fixed	6.89%	0.00	0.00
15 Yr. Fixed	6.33%	+0.01	0.00
30 Yr. FHA	6.33%	+0.01	0.00
30 Yr. Jumbo	7.05%	0.00	0.00
5/1 ARM	6.58%	0.00	0.00

### Freddie Mac

30 Yr. Fixed	6.77%	-0.09	0.00
15 Yr. Fixed	6.05%	-0.11	0.00

Rates as of: 7/22

## Market Data

	Price / Yield	Change
MBS UMBS 5.5	99.39	-0.01
MBS GNMA 5.5	99.78	+0.00
10 YR Treasury	4.2423	-0.0102
30 YR Treasury	4.4631	-0.0094

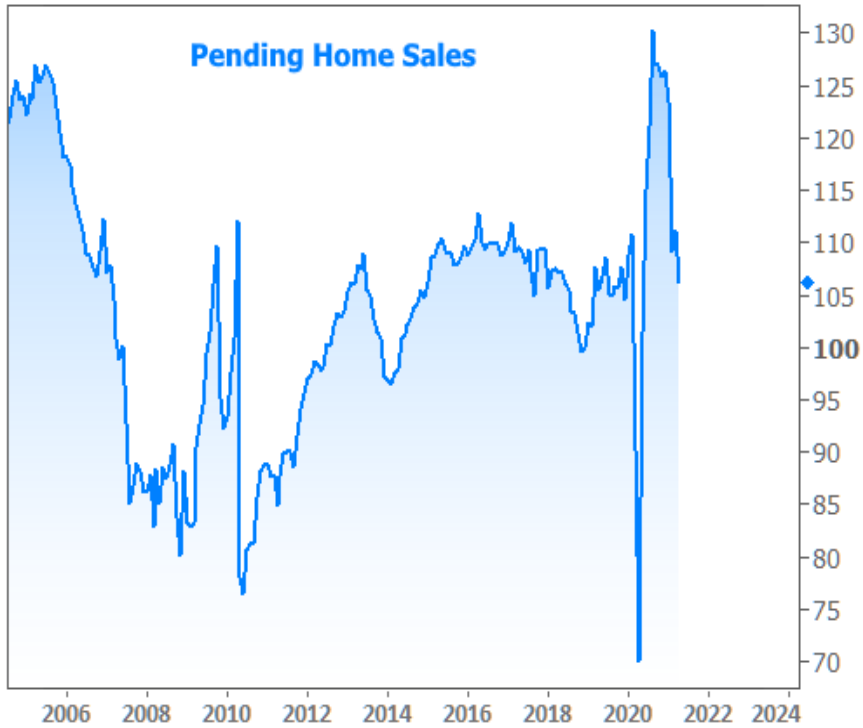
Pricing as of: 7/23 4:44AM EST

## 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%

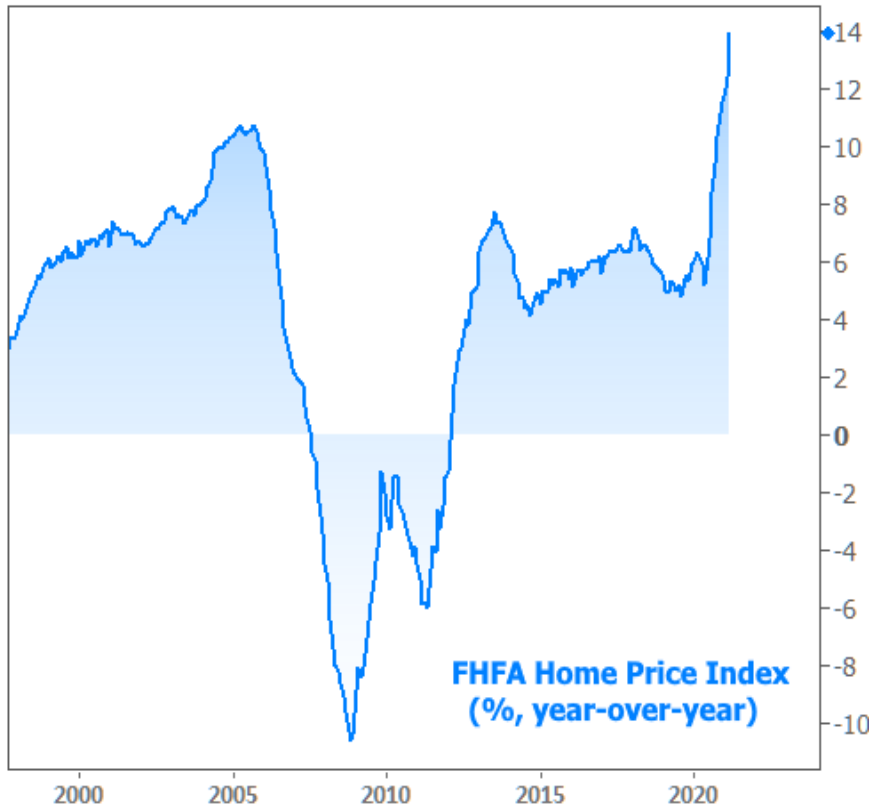
# US Housing Market Weekly

This **doesn't** mean people don't want to buy new homes. Rather, this range of 850k to 950k is simply about as fast as the housing industry can get the things off the shelf in the current environment. The issue is more acutely visible when existing homes are added to the mix, as seen in this week's monthly update on Pending Home Sales.



Your eyes do not deceive you. We are indeed **back to pre-covid levels** for pending sales. While some of the pull-back could be driven by a decrease in demand, record low inventories are almost exclusively responsible.

One of the **best** places to witness the effects of the inventory crunch is in home price reports. March's price numbers came out at the beginning of the week, and they leave nothing to the imagination:



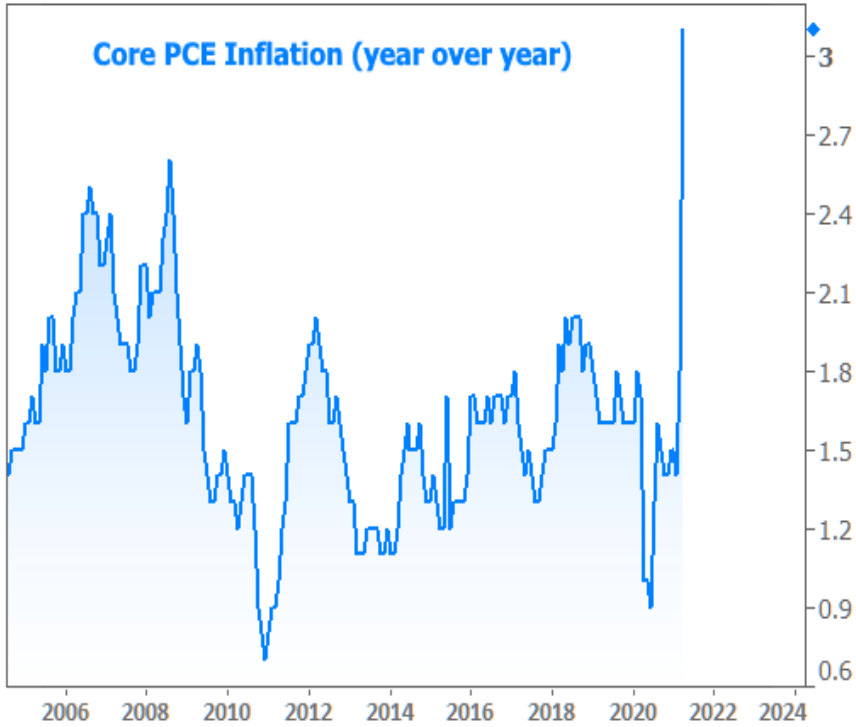
Is a 14% annual appreciation rate sustainable? Of course not. In fact, it could be a self-correcting problem before too long. Just this week, several members of the Federal Reserve's Open Market Committee mentioned they're **paying more attention** to home prices, or rather, that home prices will factor into an eventual discussion of adjusting the Fed's bond buying portfolio.

**Why does that matter?** Fed bond buying is a major contributor to low rates. The Fed currently buys \$40bn / month in mortgage debt (in addition to reinvesting 10s of billions of proceeds from previous mortgage bond purchases). The Fed knows that low rates grease the skids for home prices. If they're worried about the implications of rampant appreciation, they might cut their mortgage bond purchases faster/more than their Treasury purchases.

That's a bridge they'll cross when they come to it though, and **they haven't come to it yet**. In fact, the Fed is committed to keeping policies accommodative until the economy has logged several months of much stronger data. They've also managed to convince markets not to be spooked by temporary inflation spikes.

It's not too much to ask the modern bond market to forgive the sorts of inflation spikes seen at times in the past decade. But the inflation spike seen in April's data (the stuff reported in the past 2 weeks) is **on another level**. We'd already discussed the impressive [reaction to the CPI data 2 weeks ago](#). Now this week, a similar report (Personal Consumption Expenditures or "PCE") gave markets another chance to save inflation panic for another day.

The Core PCE Price Index (long said to be the Fed's preferred big-picture inflation metric, and the thing they're hoping to see in the 2-2.5% range for a few months before gradually moving back down to 2%) rose to **3.1%** from last month's 1.9% reading.



This is the highest level in decades. At any other time in history, this sort of swing would have sent interest rates **screaming higher at a record pace**. Instead, here's how bonds/rates traded on the day of the release:



In other words, there was effectively zero reaction to the inflation numbers. Rates were more keen to move for end-of-month housekeeping reasons, and they moved **lower** to boot!

**Bottom line:** markets take the Fed at their word regarding inflation. As such, it's a waiting game to see how things evolve in the coming months. Without a decisive bias in the economic data, rates might have a tough time finding enough inspiration to make the sorts of moves seen in the first 3 months of the year.

This isn't to say economic data is incapable of influencing rates in the short term, just that it's a high bar to clear. If any report is up to the challenge, it's next Friday's big jobs report. Granted, it can't fundamentally alter rate momentum in a lasting way, but it can definitely cause some **volatility**.

Subscribe to my newsletter online at: <http://housingnewsletters.com/amitgandhi>

## Mortgage Market Newsletter

This is one of the most insightful resources when following the mortgage market news. If you have any questions, please feel free to contact me directly,

if you feel you have received this email in error, please let me know, and I will PERSONALLY ensure you are removed from any future communication.

This email is for educational purposes only and to establish relationships with like-minded individuals like yourself!

I hope to chat with you soon,

Amit Gandhi  
Mortgage Broker | Financial Advisor  
Direct: (972) 213-5368 (Text friendly)

Amit Gandhi, MBA, CAPP™, CWPP™

