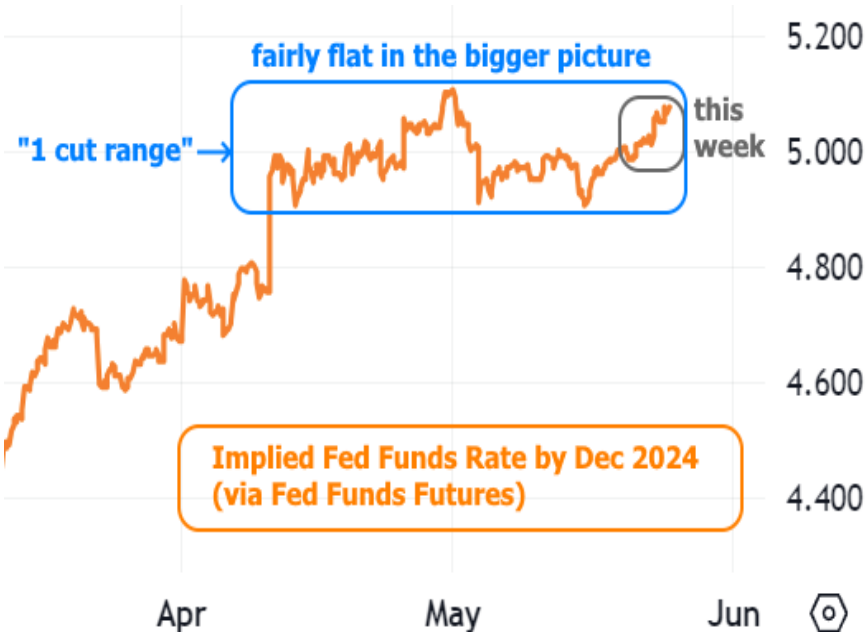
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The Fed is No Longer Eager to Cut Rates And The Market Knows It

It was largely a dull week for financial markets in terms of scheduled data and volatility, but numerous Fed speeches helped reiterate what the market thought it already knew. Specifically, whereas there was widespread belief in several rate cuts in 2024, the market now only expects 1.

The following chart shows the market's expectations for the Fed Funds rate at the end of the year. This is a futures contract that has been traded for months. In other words, when the line was lower in March and early April, it meant the market was expecting a lower Fed Funds Rate in December. Point being: the orange line in this chart always refers to the December meeting. The current Fed Funds Rate is 5.375, so anything in the 5.125 neighborhood implies a single 0.25% rate cut.



On a more timely note, a rate cut at the July Fed meeting is now seen as a near impossibility whereas it was almost a certainty in early April. The big spike in April followed the Consumer Price Index (CPI).

National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			
30YR Fixed	7.51%	+0.01	0.00
15YR Fixed	7.04%	+0.01	0.00
30YR FHA	7.08%	+0.03	0.00
30YR Jumbo	7.52%	+0.02	0.00
7/6 SOFR	7.12%	-0.01	0.00
30YR VA	7.10%	+0.03	0.00

Rates as of: 11/16

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	98.73	+0.03
10 YR Treasury	5.1255	-0.0087
30 YR Treasury	5.4736	-0.0022

Pricing as of: 11/16 7:38PM EST

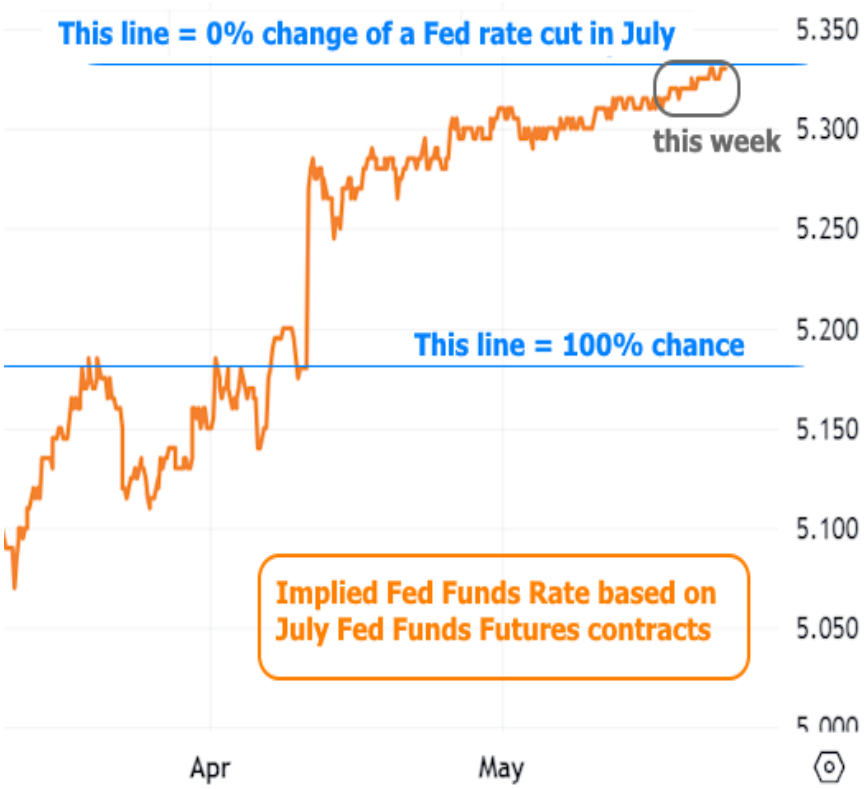
Recent Housing Data

		Value	Change
Mortgage Apps	Nov 4	204.6	+6.23%
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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While this week's data and events didn't do anything to accelerate the negative rate cut sentiment, it definitely didn't push back in the other direction. Multiple Fed officials gave speeches that reiterated a logical reaction to hotter inflation data in the first quarter. Here are a few highlights in mostly chronological order:

- JEFFERSON: THE LARGE INCREASE IN MARKET RENTS DURING PANDEMIC MAY KEEP HOUSING SERVICES INFLATION ELEVATED FOR A WHILE
- BARR: THE FED WILL NEED TO ALLOW TIGHT POLICY TO HAVE FURTHER TIME TO CONTINUE TO DO ITS WORK
- BARR: Q1 INFLATION WAS DISAPPOINTING, IT DID NOT PROVIDE THE CONFIDENCE NEEDED TO EASE MONETARY POLICY
- BOSTIC: ON INFLATION: WE'VE STILL GOT A WAYS TO GO
- DALY: I AM NOT YET CONFIDENT INFLATION COMING DOWN SUSTAINABLY TO 2%
- MESTER: INFLATION PROGRESS STALLED IN THE FIRST THREE MONTHS
- MESTER: THE APRIL CPI REPORT WAS GOOD NEWS, BUT IT IS TOO SOON TO TELL WHAT PATH INFLATION IS ON
- MESTER: WE CAN HOLD RATES, OR EVEN RAISE THEM, IF INFLATION, AGAINST EXPECTATIONS, STALLS OUT OR REVERSES
- MESTER: PREVIOUSLY, I EXPECTED THREE RATE CUTS THIS YEAR. I DO NOT THINK THAT'S STILL APPROPRIATE
- BOSTIC: I WOULD RATHER WAIT LONGER FOR A RATE CUT TO BE SURE INFLATION DOES NOT START TO BOUNCE AROUND
- WALLER: I NEED TO SEE SEVERAL MORE MONTHS OF GOOD INFLATION DATA BEFORE BEING COMFORTABLE TO SUPPORT AN EASING IN POLICY

This is just a small sampling of the available comments. Several of these officials reiterated the same talking points later in the week, as did the minutes from the most recent Fed meeting that were released on Wednesday. From a rate watching standpoint, Waller's comment is likely the most important. "Several" more months means the Fed wouldn't be in a position to consider cutting until September at the earliest.

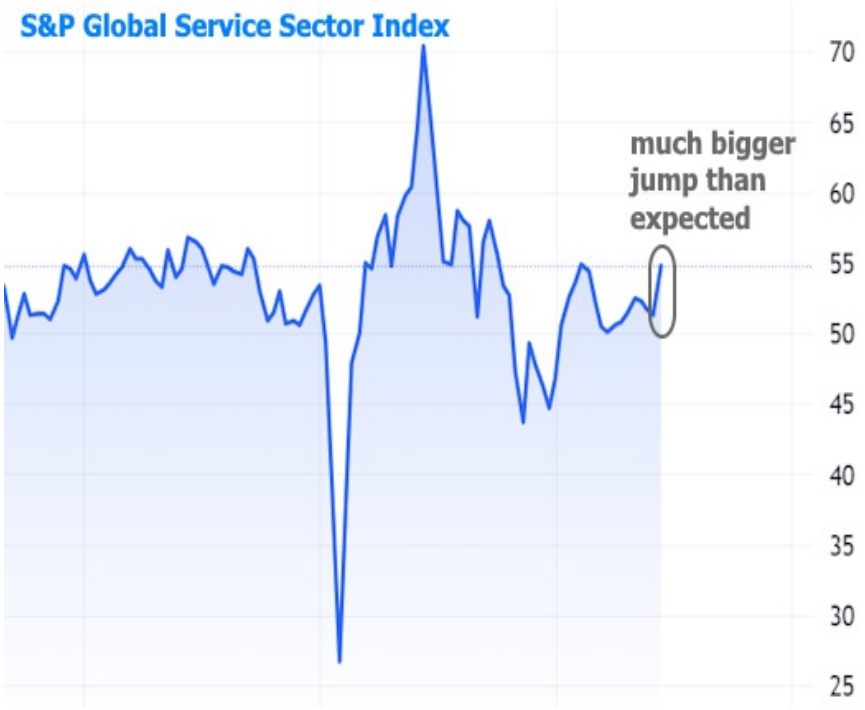
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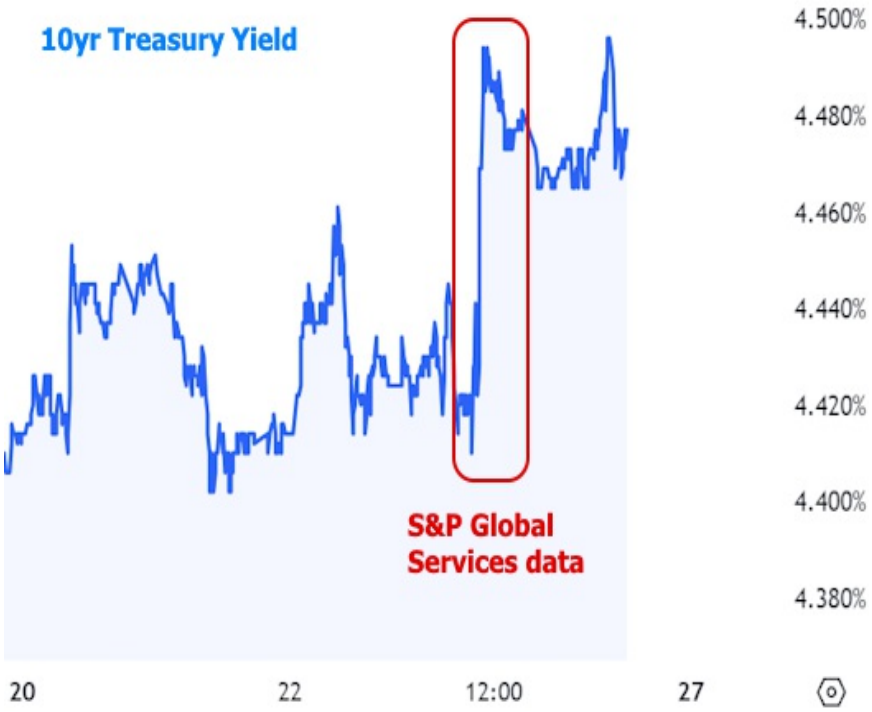
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To restate the eternal mantra of the past 2 years and the foreseeable future, the Fed is entirely "data dependent." While this week was a non-event in that regard relative to the first two weeks in June, there were still a few considerations.

The week's most noticeable reaction followed S&P Global's service sector index which unexpectedly spiked to the highest level in a year. The report also mentioned the highest cost pressures in more than a year.



10yr Treasury yields (the leading benchmark for longer term interest rates in the US) jumped from 4.43 to almost 4.50 on the news.



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That 4.50 level is important because that's the top of what we would consider to be the "boring" range for this holiday-shortened week (markets closed early on Friday and will be fully closed for Memorial Day on Monday).



Here's a slightly longer-term view of the same chart to show the recent activity around the 4.34% level.



As always, it's important to remember that lines on charts do nothing to predict the future, but when they're broken, it can serve as a heads-up that something slightly more significant is happening with rate momentum.

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The only other economic report that had a noticeable impact this week was the inflation expectation component of the Consumer Sentiment survey. This normally wouldn't have a big impact because it is simply the final version of the preliminary report that came out 2 weeks ago, but in this case, it moved more than normal AND in the opposite direction from the initial reading.



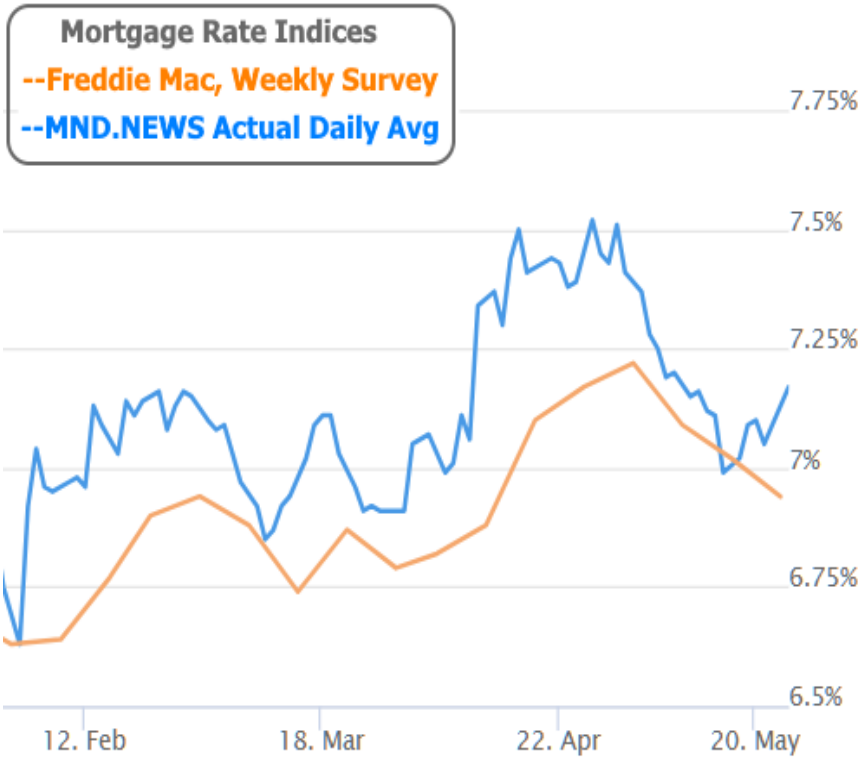
Despite the ground-holding, the move up toward the ceiling in the rate range meant that mortgage rates are higher than last week. That's fairly logical when we look at 10yr yields and consider mortgage rates tend to move in the same direction at a similar pace, but it runs counter to multiple news reports citing Freddie Mac's weekly mortgage rate survey.

Regular readers are familiar with the issue: Freddie's weekly survey is an average of Thursday through Wednesday's mortgage rates, and it's reported the next day. As such, the mortgage rates that are published on Thursday morning could be much higher than the average of the 5 days in the survey--especially if there was a big drop at the end of the previous week and a big jump on Thursday. Fortunately, the actual daily rate average from mortgagenewsdaily.com shows the day to day contour. Unfortunately, the news is less pleasant.

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As for the general gap between Freddie and MND, Freddie's survey doesn't include discount points which are now much more prevalent than in the past. There are a few other ways to account for potential differences, but even then, the outright rate itself is far less important than the movement over time. Rate quotes can vary for so many reasons, so it's best to track the change in rates for a static scenario.

In the week ahead, there is slightly more on tap in terms of scheduled events that could impact the bond market. The most important report is Friday's PCE price index--a measure of inflation comparable to the Consumer Price Index (CPI).

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Wednesday, May 22				
7:00AM	May/17 MBA Purchase Index	140.0		141.7
7:00AM	May/17 MBA Refi Index	536.9		499.9
10:00AM	Apr Existing home sales (ml)	4.14M	4.21M	4.19M
2:00PM	FOMC Minutes			
Thursday, May 23				
8:30AM	May/18 Jobless Claims (k)	215K	220K	222K
9:45AM	May S&P Global Services PMI	54.8	51.3	51.3
9:45AM	May S&P Global Manuf. PMI	50.9	50	50
10:00AM	Apr New Home Sales (ml)	0.634M	0.68M	0.693M

Event Importance:

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

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Date	Event	Actual	Forecast	Prior
Friday, May 24				
8:30AM	Apr Durable goods (%)	0.7%	-0.8%	2.6%
10:00AM	May Sentiment: 1y Inflation (%)	3.3%	3.5%	3.2%
10:00AM	May Consumer Sentiment (ip)	69.1	67.5	77.2
Tuesday, May 28				
9:00AM	Mar FHFA Home Prices y/y (%)	6.7%		7%
9:00AM	Mar Case Shiller Home Prices-20 y/y (%)	7.4%	7.3%	7.3%
10:00AM	May CB Consumer Confidence (%)	102.0	95.9	97.0
1:00PM	5-Yr Note Auction (bl)	70		
Wednesday, May 29				
1:00PM	7-Yr Note Auction (bl)	44		
Thursday, May 30				
8:30AM	Q1 GDP (%)	1.3%	1.3%	3.4%
8:30AM	May/25 Jobless Claims (k)	219K	218K	215K
10:00AM	Apr Pending Home Sales (%)	-7.7%	-0.6%	3.4%
Friday, May 31				
8:30AM	Apr Core PCE Inflation (y/y) (%)	2.8%	2.8%	2.8%
8:30AM	Apr Core PCE (m/m) (%)	0.2%	0.3%	0.3%
9:45AM	May Chicago PMI	35.4	41	37.9

The Solution to Aspire

From the Founders:

Aspire Mortgage Solutions was founded in 2023 with the main focus of Aspiring people. The vast majority of the business world is driven by making as much money as possible. However, we at Aspire Mortgage Solutions believe that there is much more to life than profit. This passion is why we are committed to being the best possible solution, and we will accomplish this by putting your dreams and goals first. We want to come alongside you and use our expertise in products and mortgage solutions to make sure that you are equipped with the best tools to help you achieve your financial goals. No matter what story you are writing, whether it's your first house, dream house, or building wealth, we want to be the experts that help you aspire to reach your dreams.

- Steve & Zach

Stephen Heston

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