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# How One Unexpected Event Completely Stole The Show This Week

Back on February 3rd, the last jobs report sent rates screaming higher. It was the biggest market mover of the month and traders have been waiting for the March 10th installment ever since. When it finally arrived, an **unexpected guest stole the show**.

The Department of Labor issues the Employment Situation early each month. Frequently referred to simply as "the jobs report," **no other** monthly economic data is so consistent when it comes to influencing interest rates.

Employment data affects rates because jobs are at the heart of the economy, driving growth and speaking to inflation. Economic growth and inflation are the two **biggest** inputs for interest rates.

The jobs report happened to be **doubly** important this week as markets sought clarity after last month's extremely strong reading. Adding to the anticipation, in Tuesday's senate testimony, Fed Chair Powell called out the jobs data as one of only 2 key reports that would have a bearing on the size of the next rate hike.

All that to say: all eyes were on the jobs report on Friday morning. It would have taken a shocking event such as a massive natural disaster, a major military escalation involving the U.S., or an unexpected failure of a very large financial institution.

A high profile bank failure is exactly what happened. While **Silicon Valley Bank (SVB)** wasn't even a tenth of the size of the Chase or BofA, it was nonetheless the 16th largest bank in terms of assets, bigger than household names like Morgan Stanley and Keybank.

## National Average Mortgage Rates




| | Rate | Change | Points |
|---|---|---|---|
| **Mortgage News Daily** | | | |
| 30YR Fixed | 7.22% | -0.08 | 0.00 |
| 15YR Fixed | 6.85% | -0.06 | 0.00 |
| 30YR FHA | 6.89% | -0.06 | 0.00 |
| 30YR Jumbo | 7.40% | -0.05 | 0.00 |
| 7/6 SOFR | 6.73% | +0.02 | 0.00 |
| 30YR VA | 6.90% | -0.07 | 0.00 |

Rates as of: 11/4

## MBS and Treasury

| | Price / Yield | Change |
|---|---|---|
| MBS UMBS 6.0 | 100.17 | -0.03 |
| 10 YR Treasury | 4.8870 | +0.0016 |
| 30 YR Treasury | 5.2666 | -0.0133 |

Pricing as of: 11/5 7:12AM 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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| BANK NAME | RANK | ASSETS (mlns of $'s) |
|---|---|---|
| CHASE | 1 | 3,201,942 |
| BANK OF AMERICA | 2 | 2,418,508 |
| CITIBANK | 3 | 1,766,752 |
| WELLS FARGO | 4 | 1,717,531 |
| U.S. BANK | 5 | 585,136 |
| PNC | 6 | 552,307 |
| TRUIST | 7 | 546,228 |
| GOLDMAN SACHS | 8 | 486,967 |
| CAPITOL ONE | 9 | 453,313 |
| TD BANK | 10 | 386,799 |
| BANK OF NY MELLON | 11 | 324,646 |
| STATE STREET | 12 | 298,020 |
| CITIZENS BANK | 13 | 226,402 |
| FIRST REPUBLIC | 14 | 212,639 |
| MORGAN STANLEY (PRIVATE) | 15 | 209,664 |
| SILICON VALLEY BANK | 16 | 209,026 |
| FIFTH THIRD BANK | 17 | 206,289 |
| MORGAN STANLEY (PUBLIC) | 18 | 201,363 |
| M&T BANK | 19 | 200,263 |
| KEYBANK | 20 | 187,590 |

There are multiple accounts of the events leading SVB's collapse, but all of the timelines are **best measured in hours**. Concerns began to swirl on Thursday, but really came to a head on Friday morning when the stock price continued to plummet. Before noon eastern time, the FDIC announced the seizure of SVB's assets.

Back on Tuesday, the average market participant would have **scoffed** at the idea of a top-20 bank failure happening in such a precipitous way by the end of the same week. Suddenly it was a reality and that raised immediate questions involving words like "contagion" and "systemic risk" (Wall St jargon for a domino effect). Pundits hearkened back to the events leading up to the Great Financial Crisis (GFC), and while the present situation is unequivocally different, it still had a big impact on markets at the end of the week.

When it comes to markets, stocks and bonds are the two **team captains**. Investors tend to buy stocks when they are more open to risk in exchange for higher returns. They tend to move away from risk by buying bonds which offer a lower return, but on predetermined terms that won't improve if the market improves.

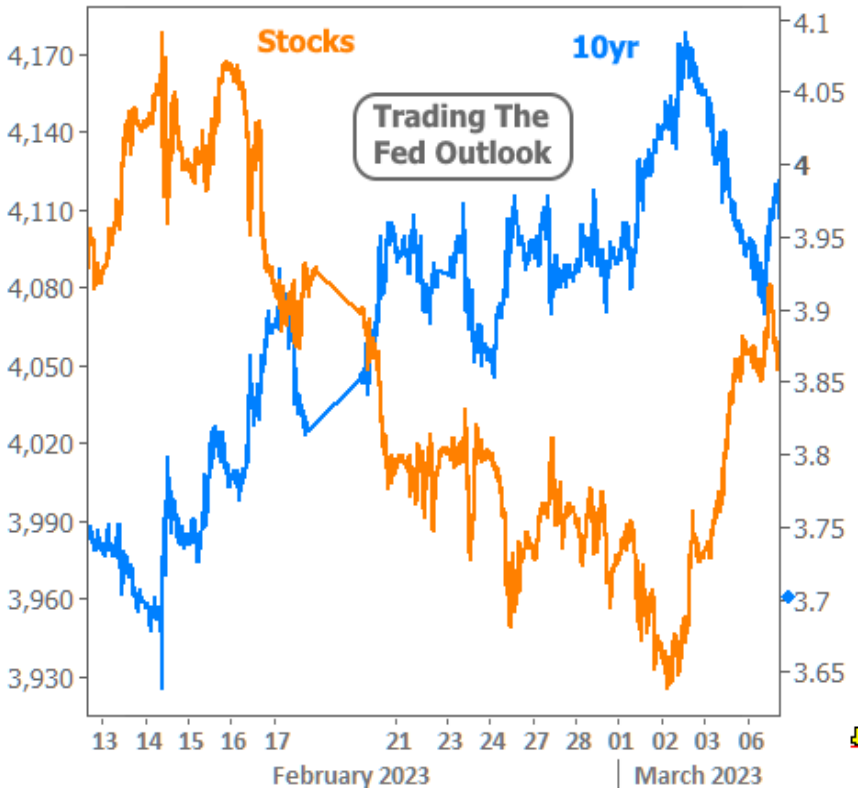
This divergent risk/reward relationship means that investors often **sell** stocks to **buy** bonds (and vice versa) depending on the level of risk they want to take. Recently, however, it's been the norm to see stocks and bonds win and lose in unison due to the market's focus on the Federal Reserve.

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The underlying premise is **simple:** a friendly Fed is a rising tide that lifts all boats. Stocks and bonds both improve when the Fed is accommodative. On a chart, this would look like stock prices moving higher and bond yields (like a 10yr Treasury yield) moving lower. Conversely, when the Fed is cranky, stocks would drop and bond yields would rise. Either way, the two lines would be carving out a generally symmetrical mirror image. That's exactly what we saw in the weeks leading up to this one.

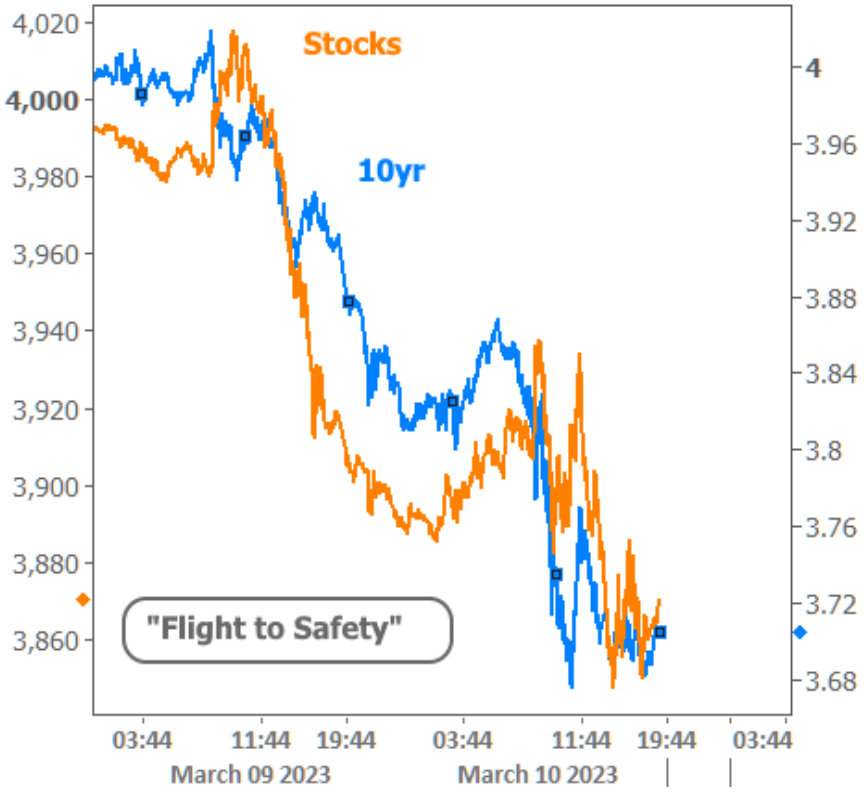



In fact, the traditional pattern **hasn't** been very common since the beginning of 2022. That all changed at the end of this week as markets locked in to an old fashioned "flight to safety" (sell stocks, buy bonds).

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The impulse was so strong on Friday that the hotly anticipated jobs report was reduced to **2nd fiddle**. We're left to merely **guess** at what its impact might have been in the absence of the bank failure. There's no way to know for sure because headline job creation was much stronger than expected, but lower than last time. Additionally, wage growth cooled and unemployment ticked up--both would be good for rates/bonds.

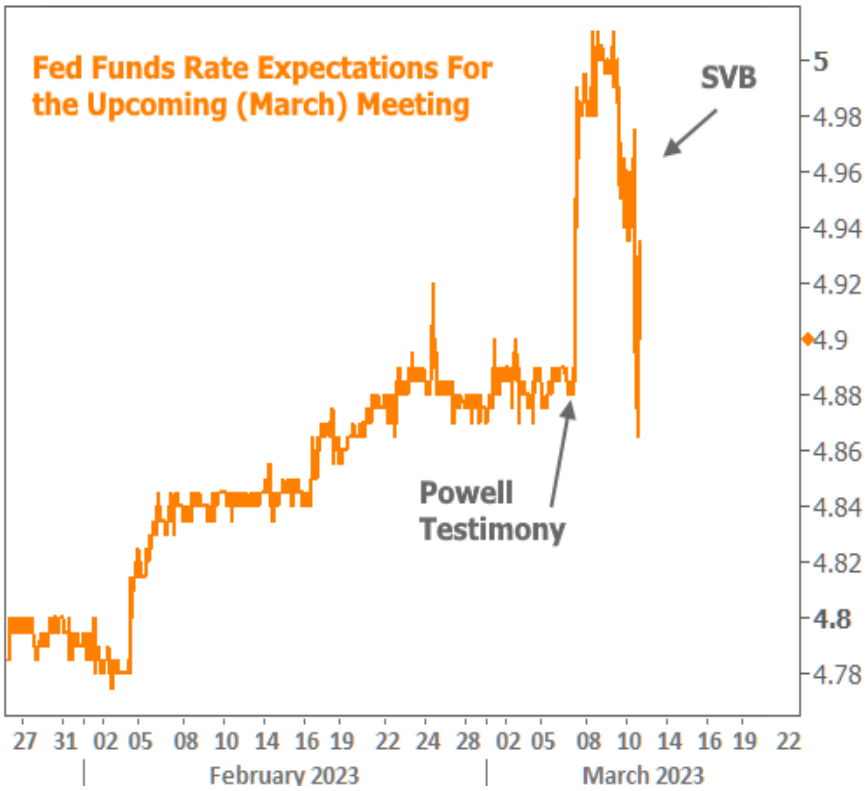
> *Side note: how do we have strong job creation and higher unemployment? Part of the reason is that more workers re-entered the workforce, but that's not enough to account for the discrepancy. The bigger reason is that the unemployment rate is determined by a survey of American households where respondents provide their own job status whereas the job creation headline comes from a survey of businesses who report the number of workers on payroll. There are frequently mixed signals between the two.*

Between Fed Chair Powell's congressional testimony earlier in the week and Friday's bank news, the outlook for the Fed's next rate hike **shifted sharply** in both directions by roughly equal amounts. Powell made markets expect a higher Fed Funds Rate, and all of those expectations were erased by the end of the week.

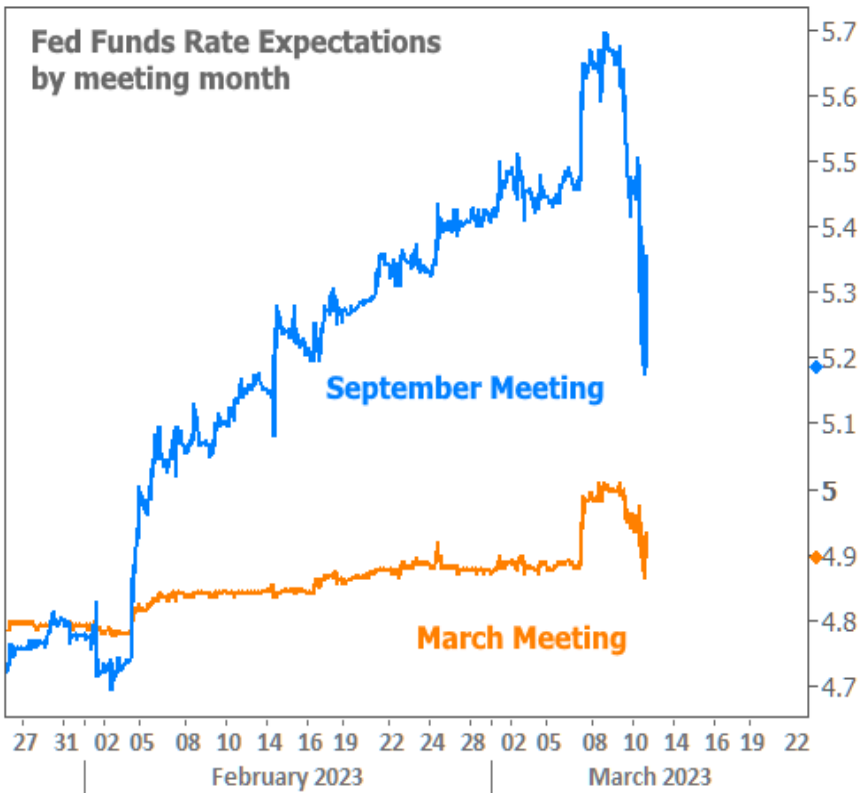
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It's important to keep scaling in mind here. The chart apparently shows a big move, but it wouldn't even have been enough for the Fed to hike rates by any more than the 0.25% markets had been expecting before Powell's testimony. Things change when we look at expectations for meetings later in the year.



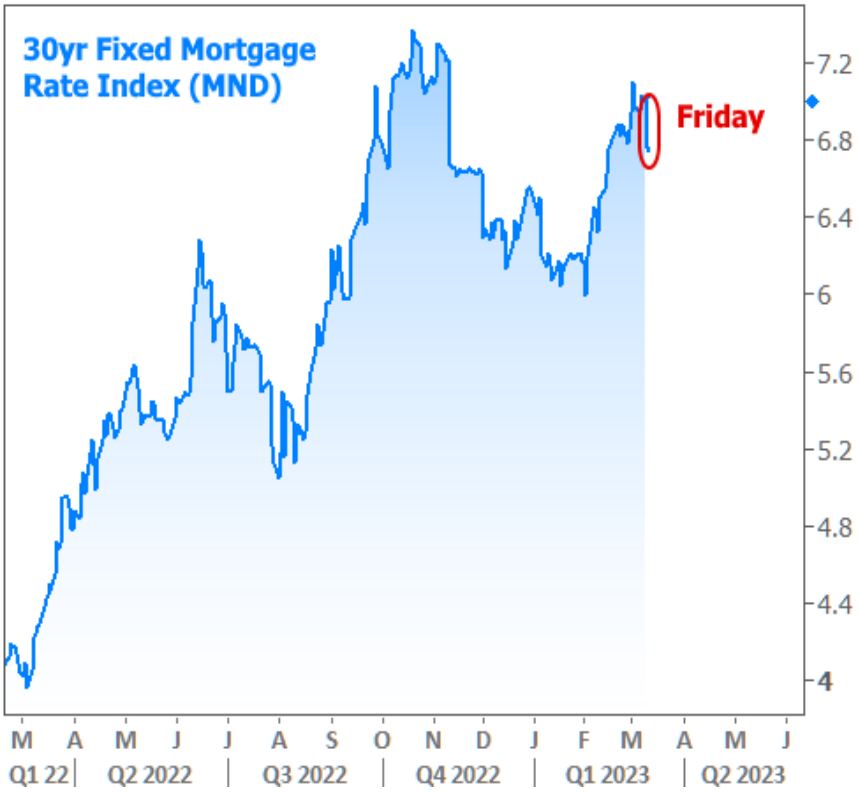

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Simply put, traders saw the Fed hiking to just under 5.5% at the start of the week, just under 5.7% after Powell, and then down to 5.2% on Friday.

The charts above refer to the Fed Funds Rate, which applies to overnight lending among large institutions. Mortgage rates are **not** directly dictated by the Fed Funds Rate, but in general, when markets shift to expect lower Fed Funds Rates in the future, mortgage rates also tend to move down. This week is no exception, but the mortgage market didn't move nearly as much as other parts of the rate market.




There are **two reasons** for this. First off, US Treasuries always do better than the mortgage market amid these sorts of "flights to safety." Secondly, Silicon Valley Bank had large holding of mortgage-backed-securities (MBS), the bonds that underlie and dictate the mortgage rate environment. The issue there isn't as much about concern over the quality of the bonds (this is definitely NOT 2007, and we're not just saying that...) as concern about additional supply of MBS hitting the market (higher supply = higher rates, all other things being equal).

**What's Next?**

From here, the market turns its attention to next Tuesday's **Consumer Price Index (CPI)**--the only other monthly economic report in the same league as the jobs report. On several occasions in the past year, it's had an even bigger impact.

We know the Fed wanted to see the jobs report and CPI before deciding on the size of the next rate hike. Markets clearly think the bank failure news will serve as evidence that the Fed's restrictive monetary policies are now causing substantial damage to sectors of the economy beyond the obvious (housing and mortgage market...).

The Fed is now in its **"blackout period."** No, that doesn't mean they're going back to college. Rather, it refers to the 12 days leading up to any Fed announcement where Fed members abstain from public comment on policy. This leaves financial markets to guess at how the data will impact the decision, thus potentially increasing volatility.

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Of course CPI is only the big to-do if there aren't any big new surprises on the "contagion" front next week. In other words, are other banks' assets exposed in a certain way due to this week's bank failure? Will certain banks see more demand for withdrawals than they can handle simply because investors are nervous? Never say never, but to an infinitely greater extent than was the case the last time a top 20 bank folded, significant domino effects would be surprise. Translation: we hope to get back to waiting on econ data and the Fed to set the tone.

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## Recent Economic Data

| Date | Event | Actual | Forecast | Prior |
|---|---|---|---|---|
| **Monday, Mar 06** | | | | |
| 10:00AM | Jan Factory orders mm (%) | -1.6 | -1.8 | 1.8 |
| **Tuesday, Mar 07** | | | | |
| 10:00AM | Jan Wholesale inventories mm (%) | -0.4 | -0.4 | -0.4 |
| 10:00AM | Powell Senate Testimony | | | |
| 1:00PM | 3-Yr Note Auction (bl) | 40 | | |
| 3:00PM | Jan Consumer credit (bl) | 14.80 | 20.00 | 11.56 |
| **Wednesday, Mar 08** | | | | |
| 7:00AM | w/e MBA Purchase Index | 154.4 | | 138.8 |
| 7:00AM | w/e MBA Refi Index | 437.9 | | 444.0 |
| 8:15AM | Feb ADP jobs (k) | 242 | 200 | 106 |
| 8:30AM | Jan Trade Gap (bl) | -68.3 | -68.9 | -67.4 |
| 10:00AM | Job Openings and Labor Turnover Survey (JOLTS) (mln) | 10.824 | 10.546 | 11.012 |
| 10:00AM | Powell Testimony (day 2) | | | |
| **Thursday, Mar 09** | | | | |
| 7:30AM | Feb Challenger layoffs (k) | 77.770 | | 102.943 |
| **Friday, Mar 10** | | | | |
| 8:30AM | Feb Unemployment rate mm (%) | 3.6 | 3.4 | 3.4 |
| 8:30AM | Feb Non-farm payrolls (k) | 311 | 205 | 517 |
| 8:30AM | Feb Average earnings mm (%) | 0.2 | 0.3 | 0.3 |
| **Tuesday, Mar 14** | | | | |
| 8:30AM | Feb m/m Headline CPI (%) | 0.4 | 0.4 | 0.5 |
| 8:30AM | Feb y/y CORE CPI (%) | 5.5 | 5.5 | 5.6 |
| 8:30AM | Feb m/m CORE CPI (%) | 0.5 | 0.4 | 0.4 |
| 8:30AM | Feb y/y Headline CPI (%) | 6.0 | 6.0 | 6.4 |
| **Wednesday, Mar 15** | | | | |
| 7:00AM | w/e MBA Purchase Index | 165.6 | | 154.4 |
| 7:00AM | w/e MBA Refi Index | 458.9 | | 437.9 |
| 8:30AM | Feb Core Producer Prices YY (%) | 4.4 | 5.2 | 5.4 |
| 8:30AM | Feb Retail Sales (%) | -0.4 | -0.3 | 3.0 |

## Event Importance:

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

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| Date | Event | Actual | Forecast | Prior |
|---|---|---|---|---|
| 8:30AM | Feb Core Producer Prices MM (%) | 0.0 | 0.4 | 0.5 |
| 8:30AM | Mar NY Fed Manufacturing | -24.6 | -8.00 | -5.80 |
| **Thursday, Mar 16** | | | | |
| 8:30AM | Feb Import prices mm (%) | -0.1 | -0.2 | -0.2 |
| 8:30AM | Feb House starts mm: change (%) | 9.8 | | -4.5 |
| 8:30AM | Feb Build permits: change mm (%) | 13.8 | | 0.1 |
| 8:30AM | Mar Philly Fed Business Index | -23.2 | -15.6 | -24.3 |
| 8:30AM | w/e Jobless Claims (k) | 192 | 205 | 211 |
| **Friday, Mar 17** | | | | |
| 9:15AM | Feb Industrial Production (%) | 0.0 | 0.2 | 0.0 |
| 10:00AM | Mar Consumer Sentiment | 63.4 | 67.0 | 67.0 |
| 10:00AM | Feb Leading index chg mm (%) | -0.3 | -0.3 | -0.3 |
| **Wednesday, Apr 12** | | | | |
| 1:00PM | 10-yr Note Auction (bl) | 32 | | |
| **Thursday, Apr 13** | | | | |
| 1:00PM | 30-Yr Bond Auction (bl) | 18 | | |

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# About Me

I'm the Founder & CEO of World Home Loans, a mission-driven mortgage brokerage built with one purpose: to give consumers, especially Veterans, the respect, speed, and savings they deserve when financing a home.

Over the past 2 years, I've personally closed over 600 VA purchase loans and personally funded more than $375M in the past 12 months. Along the way, I learned that America's Veterans are too often underserved by big-box lenders—facing higher rates, slower closings, and a lack of genuine care. That's why I built World Home Loans.

Our Mission:
• To serve our Veterans by offering ultra-low mortgage rates and closing costs.
• To empower Veterans with the knowledge and resources needed to make informed home financing decisions.
• To stand against and eliminate the widespread overcharging of Veterans that has persisted in the mortgage industry for decades.

At World Home Loans, we back this mission with execution:
Faster closings (our average is 18 days)
Better pricing (consistently beating national averages)
White-glove experience that earns 5-star reviews at scale
A platform where top producers can 2–3X their volume through efficiency, brand power, and unmatched VA expertise.

With "Victory on the Home Front" as our rallying cry, World Home Loans is on course to become the dominant VA-focused lender in the country.

Alongside building WHL, I'm writing my book The Efficient Closer: Building a Mortgage Empire with Precision and Purpose—a playbook for originators who want to scale with speed, systems, and execution.

**Brian Cooke** 

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