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Hi, My Name is Consolidation, And I Can Explain Everything

Scroll down far enough on the list of Webster's definitions of the word "consolidate," and you'll find "to form together into a compact mass." Financial markets appropriated that definition long ago and have been using it to refer to the condensed mass of prices, yields, or whatever else is being measured on a chart.

Speaking of charts, consolidation has a tell-tale pattern of lower highs and higher lows that form a sort of triangle or pennant (incidentally, market participants also use those terms more or less interchangeably).

Regardless of the label, the underlying phenomenon is one of indecision or anticipation of a big move that has a chance to be higher or lower.

National Average Mortgage Rates



	Rate	Change	Points
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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

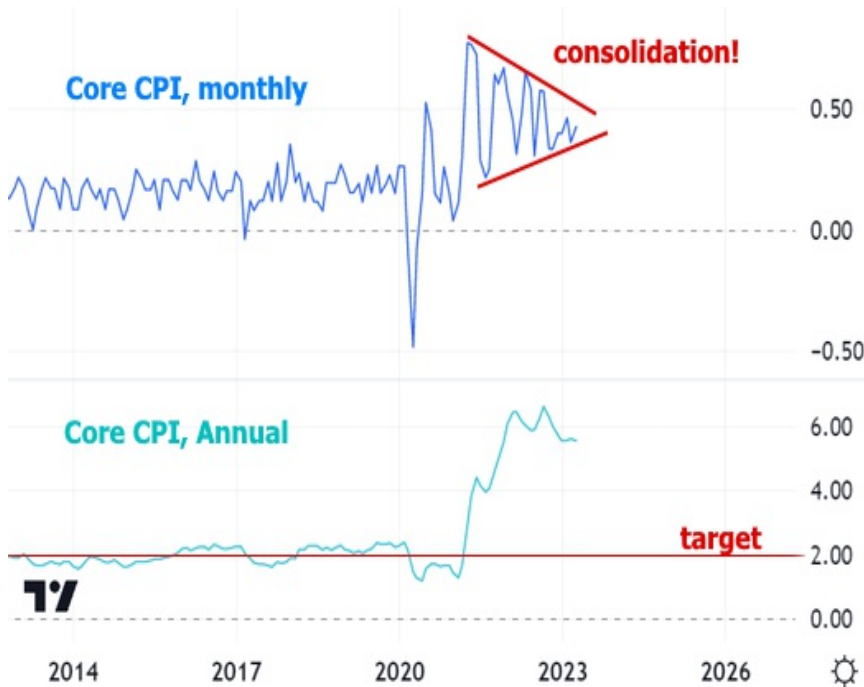
		Value	Change
Mortgage Apps	Jul 10	206.1	-0.19%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%
Builder Confidence	Mar	51	+6.25%

Consolidation is everywhere in the market these days. If we zoom way out and simply consider the general flow of events, this makes good sense. As inflation surged at the fastest pace in decades, the Fed tightened monetary policy at a similarly fast pace. Inflation can also act as a natural brake on economic activity as consumer buying power declines.

At some point, the inflationary surge levels off and we wait for price growth to moderate back toward more sustainable levels. The presence of consolidation makes sense because we're smack dab in the middle of finding out whether inflation has leveled off as a sign that it's about to go lower, or simply to take a breath before remaining stubbornly high. Consolidation patterns are equally likely to be seen for both reasons.

This week's focal point for economic data and the broader consolidation theme was Wednesday's release of April's Consumer Price Index (CPI). More than any other inflation report, CPI has had the power to push rates rapidly higher or lower.

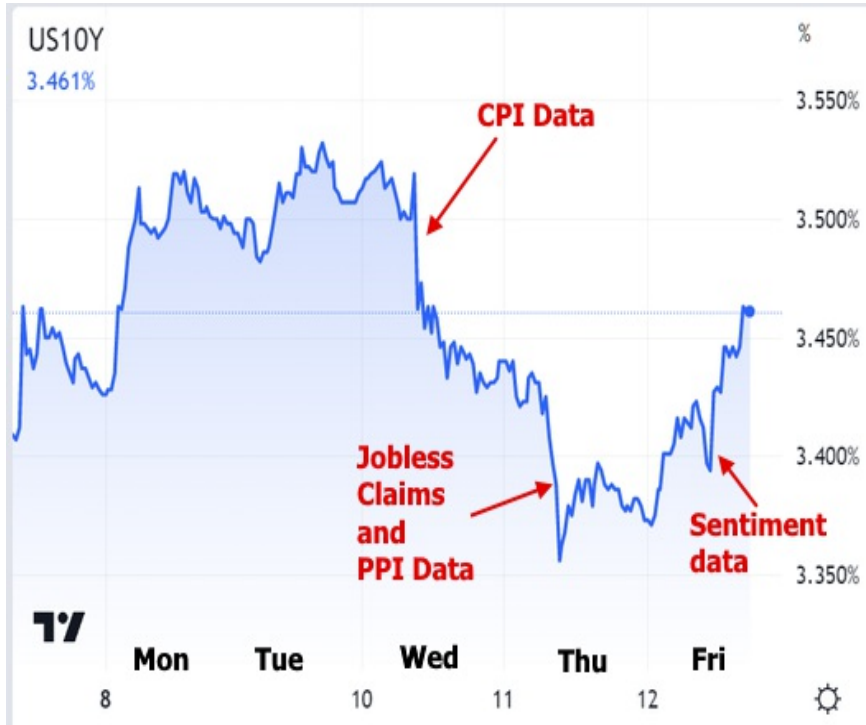
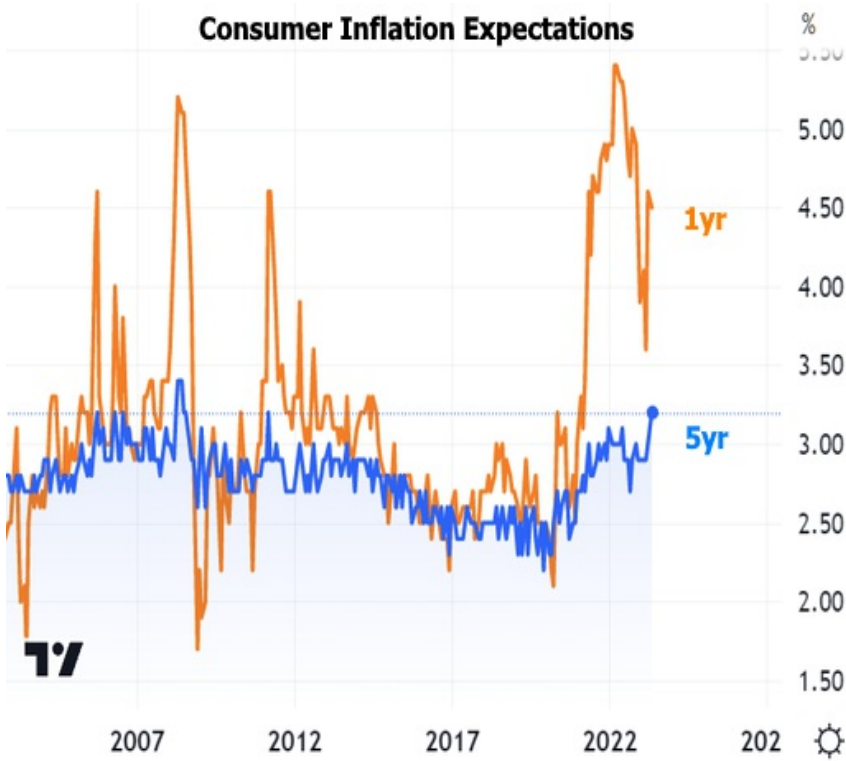
CPI was right in line with expectations this time around, which doesn't really help clear up much indecision. The monthly change of 0.4% at the core level (the one that gets the most attention from the Fed and financial markets) is right in the middle of consolidation pattern. And the annual number remains fairly flat after coming off the higher levels seen at the end of 2022.



There were some subtleties underneath the headlines that were helpful for rates. Specifically, there was a nice little drop in core services inflation excluding housing. This is a hot button for the Fed, as it captures a vast majority of the inflation that has been the most problematic. Removing housing from the equation allows the market to see a shift earlier than it otherwise might (because the housing components don't move as much or as quickly).

All that to say: interest rates moved lower on Wednesday despite CPI coming in flat. The following day, Jobless Claims and the Producer Price Index (PPI) helped the move continue, although bank sector drama was also driving investors into US Treasuries. Yields bounced on Friday after the Consumer Sentiment survey showed 5-year inflation expectations at their highest level since 2011.

Consumer Inflation Expectations



The chart of 10yr Treasury yields above is a good proxy for interest rate momentum throughout the week. It may not look like a good example of consolidation on such a short time scale, but if we zoom out, things change.



And what would a good proxy for rate momentum be if its sideways vibes didn't translate to the mortgage market?



In fact, as of Friday, mortgage rates clocked their flattest calendar month since May 9th through June 9th, 2022.

The point of all this consolidation observation is simply to convey that the market is at a crossroads--albeit with a very long stop light--that will inform the next big move for rates and the housing market.

If inflation moves lower out of its consolidation pattern, rates would almost certainly do the same, thus allowing homeowners some breathing room to shop for new homes without worrying about sacrificing their ultra low existing rate.

In the week ahead, we'll get to see how that process is going via the Existing Home Sales data on Thursday. Two days prior, the Retail Sales report will provide an update on consumer spending. In general, lower sales suggest downward pressure on inflation, but economists expect a +0.7% increase this time around compared to a 0.6% decrease in the last report.

U.S. Retail Sales

Percent Change, SA



Source: U.S. Department of Commerce and Wells Fargo Economics

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Monday, May 08				
10:00AM	Mar Wholesale inventories mm (%)	0.0	0.1	0.1
Tuesday, May 09				
1:00PM	3-Yr Note Auction (bl)	40		
Wednesday, May 10				
7:00AM	w/e MBA Refi Index	507.1		461.2
7:00AM	w/e MBA Purchase Index	173.7		165.8
8:30AM	Apr y/y CORE CPI (%)	5.5	5.5	5.6
8:30AM	Apr m/m CORE CPI (%)	0.4	0.4	0.4

Event Importance:

No Stars = Insignificant

☆ Low

★ Moderate

★★ Important

★★★ Very Important

Date	Event	Actual	Forecast	Prior
Thursday, May 11				
8:30AM	Apr Core Producer Prices MM (%)	0.2	0.2	-0.1
8:30AM	Apr Core Producer Prices YY (%)	3.2	3.3	3.4
8:30AM	w/e Jobless Claims (k)	264	245	242
Friday, May 12				
8:30AM	Apr Import prices mm (%)	0.4	0.3	-0.6
8:30AM	Apr Export prices mm (%)	0.2	0.2	-0.3
10:00AM	May Consumer Sentiment	57.7	63.0	63.5
10:00AM	May 5yr Inflation Outlook (%)	3.2		3.0
10:00AM	May 1yr Inflation Outlook (%)	4.5		4.6
Monday, May 15				
8:30AM	May NY Fed Manufacturing	-31.8	-18.00	10.80
Tuesday, May 16				
8:30AM	Apr Retail Sales (%)	0.4	0.7	-0.6
9:15AM	Apr Industrial Production (%)	0.5	0.0	0.4
10:00AM	Mar Business Inventories (%)	-0.1	0.1	0.2
10:00AM	May NAHB housing market indx	50	44	45
Wednesday, May 17				
8:30AM	Apr Housing starts number mm (ml)	1.401	1.405	1.420
8:30AM	Apr House starts mm: change (%)	2.2		-0.8
8:30AM	Apr Build permits: change mm (%)	-1.5		-7.7
8:30AM	Apr Building permits: number (ml)	1.416	1.432	1.430
Thursday, May 18				
8:30AM	May Philly Fed Business Index	-10.4	-20.0	-31.3
10:00AM	Apr Existing home sales (ml)	4.28	4.35	4.44
10:00AM	Apr Exist. home sales % chg (%)	-3.4		-2.4
10:00AM	Apr Leading index chg mm (%)	-0.6	-0.7	-1.2
Wednesday, Jul 12				
1:00PM	10-yr Note Auction (bl)	32		
Thursday, Jul 13				
1:00PM	30-Yr Bond Auction (bl)	18		
Wednesday, Jul 19				
1:00PM	20-Yr Bond Auction (bl)	12		

About Me

I am proud to say that I am one of the top producing mortgage brokers in the country, ranking in the top 20 nationally by Scotsman Guide for each of the past 5-years, the top producing mortgage broker for Utah volume 2019-2023, and the top producing VA mortgage broker in 2024. I have personally closed over 12,000 mortgage loans for \$4 billion in my 22-year career. In 2023, I was ranked #6 nationally by Scotsman Guide Top Mortgage Brokers, closing 400 loans for \$185 million, while guiding my clients through the entire loan process.

Since I began in this industry over 20-year ago, my focus has always been on improving systems and increasing efficiencies to drive down the cost of a mortgage loan for the consumer. I am obsessed with originating mortgage loans and helping consumers achieve their home financing goals in expeditious fashion. I adopt a "do whatever it takes" and "do it now" mentality until the job is done and my clients are completely satisfied.

My customer experience pillars are 1) An Extremely Low Price, 2) Fast Closing Time (~18 day average), 3) Instant Response and 4) Extreme Efficiency. My success in the mortgage field is attributable to my high level of integrity, reliability, efficiency, and obsession with client service. I look forward to helping you with any mortgage questions, and helping you obtain some of the very lowest mortgage rates available in the market.

Brian Cooke

