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Do Rates Care About Debt Ceiling?

It was nearly impossible to avoid news regarding the debt ceiling this week, but how much does it actually matter?

Let's make sure we're on the same page first. What follows are a few NON-POLITICAL thoughts on the debt ceiling, which is different than a "default."

The debt ceiling has to be increased periodically in order for the US government to borrow enough money to fund day to day operations. There's theoretically a point at which the government doesn't have enough money to make payments that it had already agreed to make in the past. That money can come from the issuance of Treasury debt (i.e. borrowing) or from sources of revenue (such as taxes).

In that theoretical scenario, the US could default on its obligations and that would be incredibly serious. A missed payment on Treasury bills, for instance, could cause major fallout in financial markets. It has never happened and is all but guaranteed to not happen this time either. We can't know with certainty exactly how long the government could make ends meet if it really had to, but it's certainly longer than claimed, regardless of any drop dead dates you may see in the news.

That leaves us with what is mostly an exercise in political theater and/or brinksmanship on both sides of the aisle (no value judgments in this newsletter, ever). Despite that, some traders take logical, defensive measures JUST IN CASE this happens to be the time where we finally see a default (even if it's very temporary and heavily qualified).

Those defensive measures cause volatility in certain corners of the bond market that end up spilling over to other parts of the market. Additionally, the broader topic of the debt ceiling is generally negative for risk assets like stocks and positive for longer-term bonds. Conversely, when a deal is announced, bonds could take a hit, thus pushing rates even higher.

From a more practical standpoint, a debt ceiling deal would reinstate the US government's ability to borrow money via the issuance of Treasuries, and Treasury issuance correlates directly with interest rate levels (more issuance = higher rates, all other things being equal).

All of this is happening at a time when rates are already under pressure to move higher. Mortgage rates, for instance, shot back over 7% this week for the first time since early March.

National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
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	4.8880	+0.0026
30 YR Treasury	5.2666	-0.0133

Pricing as of: 11/5 7:10AM EST

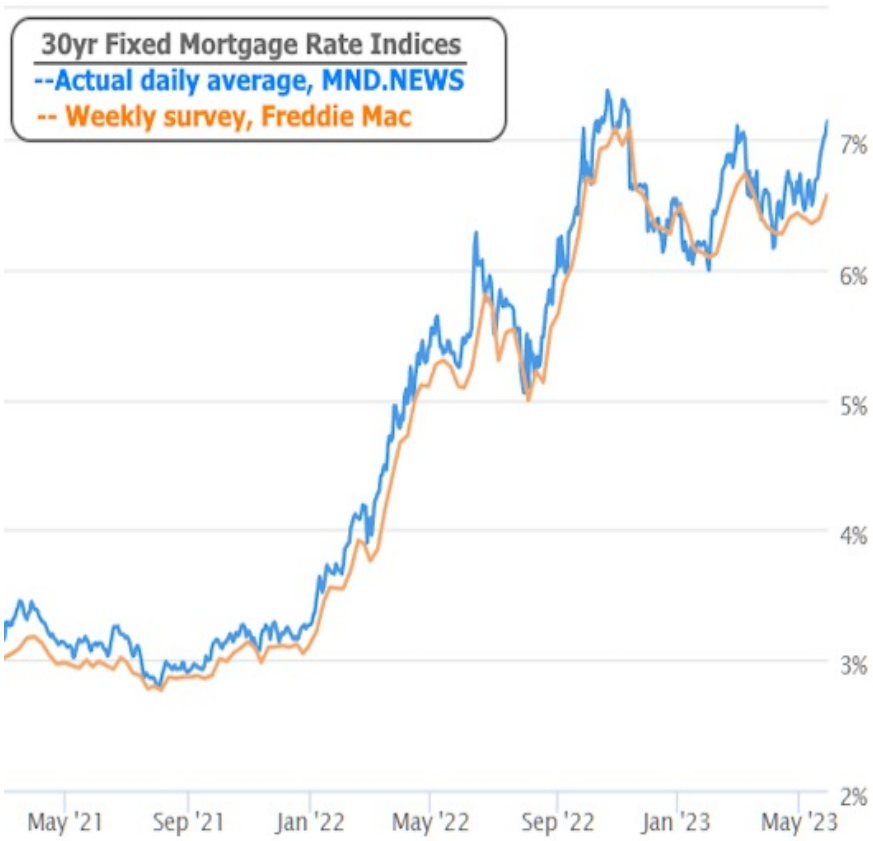
Recent Housing Data

		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%

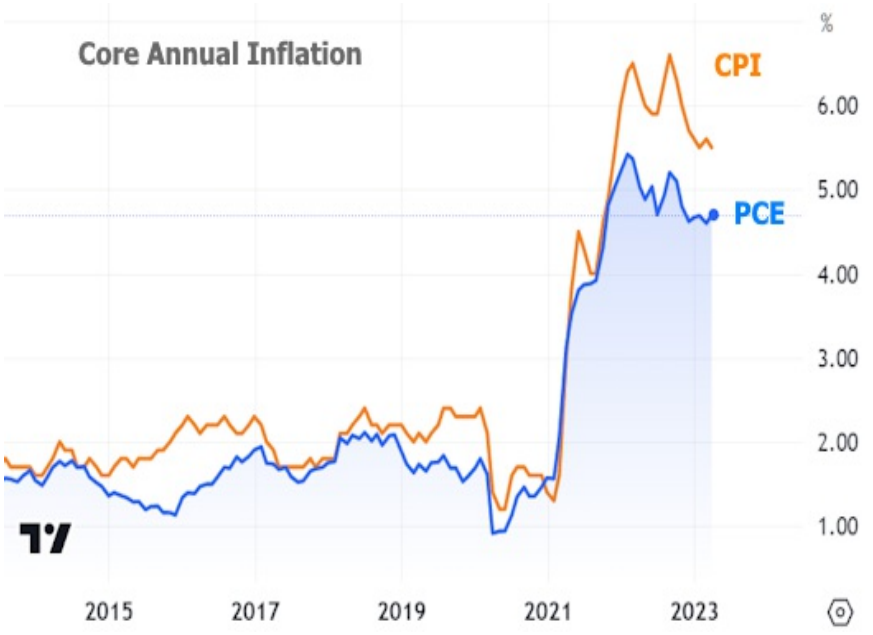
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This has nothing to do with the debt ceiling and everything to do with the steady message from the economy and the Federal Reserve. To be fair to the Fed, their message will depend on inflation and the economy, and the Fed's reaction function has been consistent: until inflation is clearly heading back toward 2% targets, rates need to stay high. And here are the inflation indices the Fed would like to see at 2%:



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Inflation may have leveled off, but it's been frustratingly unwilling to decline in any meaningful way. Some say that's coming. Others say it will take longer than most people think. All the Fed can do is continue to wait for clearer signs from the data, and the data has generally not been kind to rates in the 2nd half of May.



Futures traders now see only a 1 in 3 chance of the Fed holding steady at the June meeting in several weeks. Rate hike expectations have moved steadily higher in concert with longer-term rates.



After a market closure on Monday for the Memorial Day holiday, market participants and the Fed will both be treated to 4 days of economic data with far more power to influence the rate outlook than anything we saw this week. Chief among the upcoming reports is next Friday's big jobs report. 2 weeks later, the next installment of the Consumer Price Index (CPI) will sneak in just before the buzzer on June 13th as the Fed begins its 2 day policy meeting resulting in a rate hike decision at 2pm ET on June 14th.

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One CPI report isn't enough to determine whether the Fed has finally reached the "pause" phase of this rate hike cycle, but it could certainly sway the decision at this meeting (if next week's data leaves anything to doubt, and it probably will).

Bottom line: rates have risen for real economic reasons and they could go even higher if those reasons show little sign of reversal.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Tuesday, May 23				
9:45AM	May Markit Services PMI	55.1	51.5	53.6
9:45AM	May Markit Manuf. PMI	48.5	49.0	50.2
10:00AM	Apr New Home Sales (ml)	0.683	0.630	0.683
10:00AM	Apr New Home Sales (%) (%)	4.1		9.6
Wednesday, May 24				
7:00AM	wk MBA Refi Index (%)	443		468.2
7:00AM	wk MBA Purchase Index (%)	158.3		165.4
Thursday, May 25				
8:30AM	Q1 GDP Prelim (%)	1.3	2.9	1.1
8:30AM	w Jobless Claims (k)	229	245	242
10:00AM	Apr Pending Sales Index	78.9		78.9
10:00AM	Apr Pending Home Sales (%)	0.0	0.5	-5.2
Friday, May 26				
8:30AM	Apr Core PCE Inflation (y/y) (%)	4.7	4.5	4.6
8:30AM	Apr Core PCE (m/m) (%)	0.4	0.3	0.3
8:30AM	Apr Durable goods (%)	1.1	0.7	3.2
10:00AM	May Consumer Sentiment (ip)	59.2	57.7	63.5
10:00AM	May Sentiment: 1y Inflation (%)	4.2		4.6
10:00AM	May Sentiment: 5y Inflation (%)	3.1		2.9
Monday, May 29				
12:00AM	Memorial Day			
Tuesday, May 30				
9:00AM	Mar Case Shiller Home Prices-20 y/y (%)	-1.1	-1.7	0.4
9:00AM	Mar FHFA Home Prices y/y (%)	3.6		4.0
10:00AM	Apr Consumer confidence	102.3	99.0	104.2
Wednesday, May 31				
7:00AM	May MBA Purchase Index	154.4		158.3
7:00AM	May MBA Refi Index	412.5		443
9:45AM	May Chicago PMI	40.4	47.3	48.6
10:00AM	April USA JOLTS Job Openings	10.103M	9.2M	9.59M

Event Importance:

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

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Date	Event	Actual	Forecast	Prior
Thursday, Jun 01				
7:30AM	May Challenger layoffs (k)	80.1	92	67
8:15AM	May ADP jobs (k)	278	200	296
8:30AM	Q1 Productivity Revised (%)	-2.1	-2.7	1.6
8:30AM	Q1 Labor Costs Revised (%)	4.2	6.3	3.3
10:00AM	May ISM Mfg Prices Paid	44.2	52	53.2
10:00AM	May ISM Manufacturing PMI	46.9	49.8	50.2
Friday, Jun 02				
8:30AM	May Average earnings mm (%)	0.3	0.4	0.5
8:30PM	May Non-farm payrolls (k)		180	253
8:30PM	May Unemployment rate mm (%)		3.5	3.4

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.

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