

Brian Cooke
President & CEO, World Home Loans
NMLS # 17866
300 Spectrum Center Drive Ste 400-476 Irvine, CA 92618

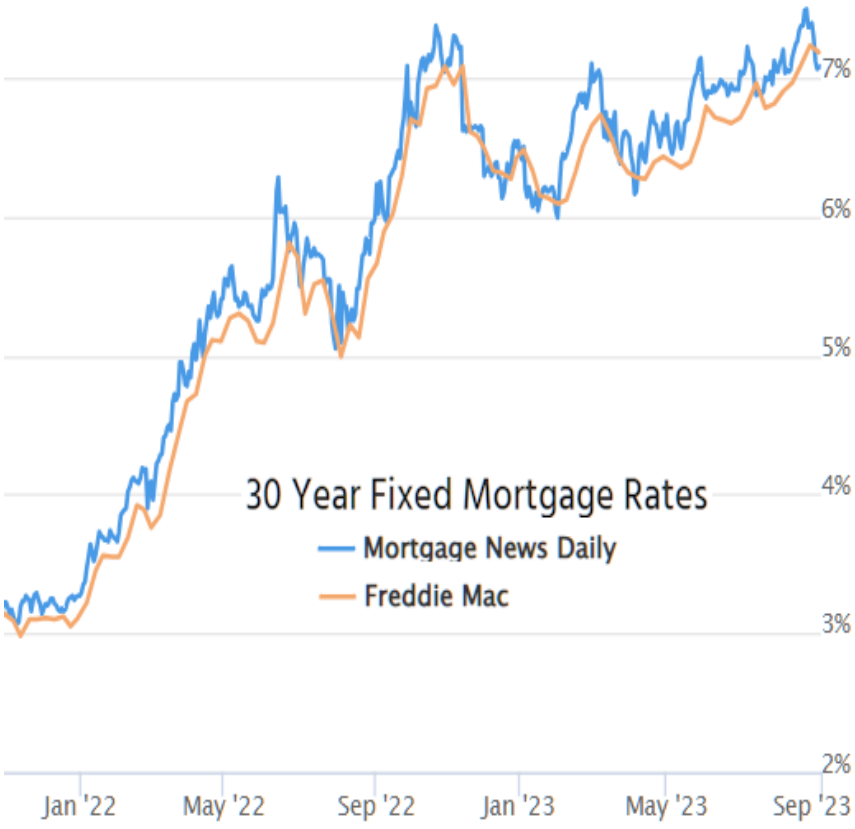
Office: 650-678-0283
Mobile: 650-678-0283
bcooke@worldhomeloans.com
View My Website

It's Complicated, But Also Simple

Depending on the company you keep over this Labor Day weekend, you might hear that rates are high, housing in the verge of collapse, and the economy is headed for a hard, recessionary landing. Or you might hear that rates are coming down, housing has turned a corner, and the economy remains surprisingly resilient. No one is wrong, yet, and it'll be a while before we find out who's right.

Rates

Rates are high!



Depending on one's perspective, rates are down sharply over the past week and a half to the lowest levels of the month:

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	100.16	-0.04
10 YR Treasury	4.8900	+0.0046
30 YR Treasury	5.2687	-0.0112

Pricing as of: 11/5 7:13AM EST

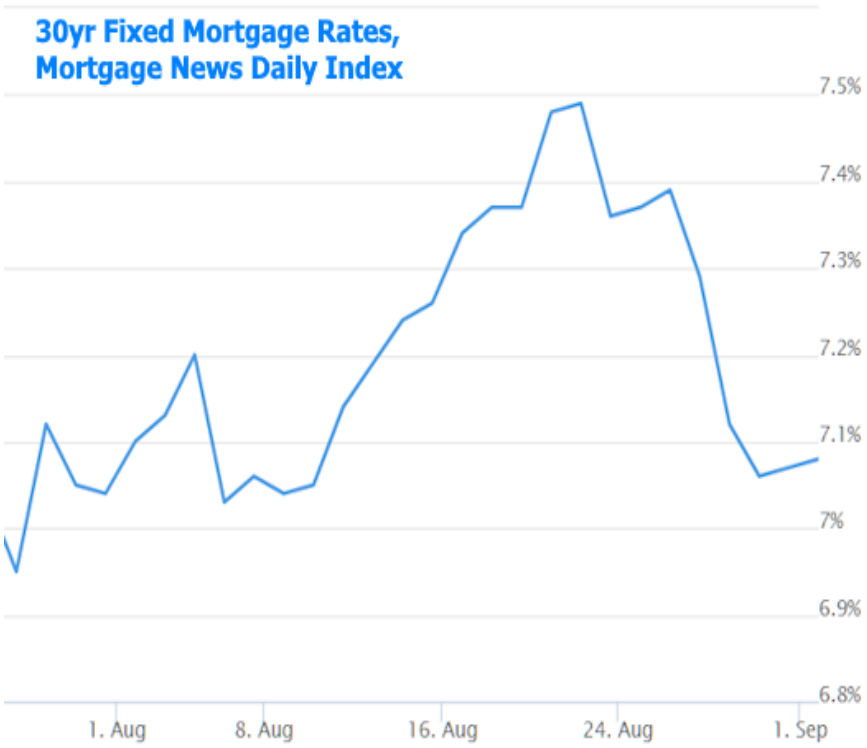
Recent Housing Data

		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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Inflation

Despite the recent improvement, we are indeed near multidecade highs. If Family Feud asked which economic phenomenon should be blamed for high rates, the survey would say "inflation" before all other factors.

Of course you'd need a spin off show to assign blame for the inflation itself. Some respondents would blame the Fed's aggressive stimulus in 2020-21. Others would blame all the various forms of post-covid fiscal stimulus. Some would focus on supply/demand dynamics, both before and after the start of the Ukraine War. A few might go off the beaten path with a more esoteric answer.

Once we'd binge-watched the episodes that helped us debate the sources of inflation, we could move on to documentaries that discussed whether inflation was under control or still a big issue. Members of the Fed have been steadfast in referring to inflation being too high.

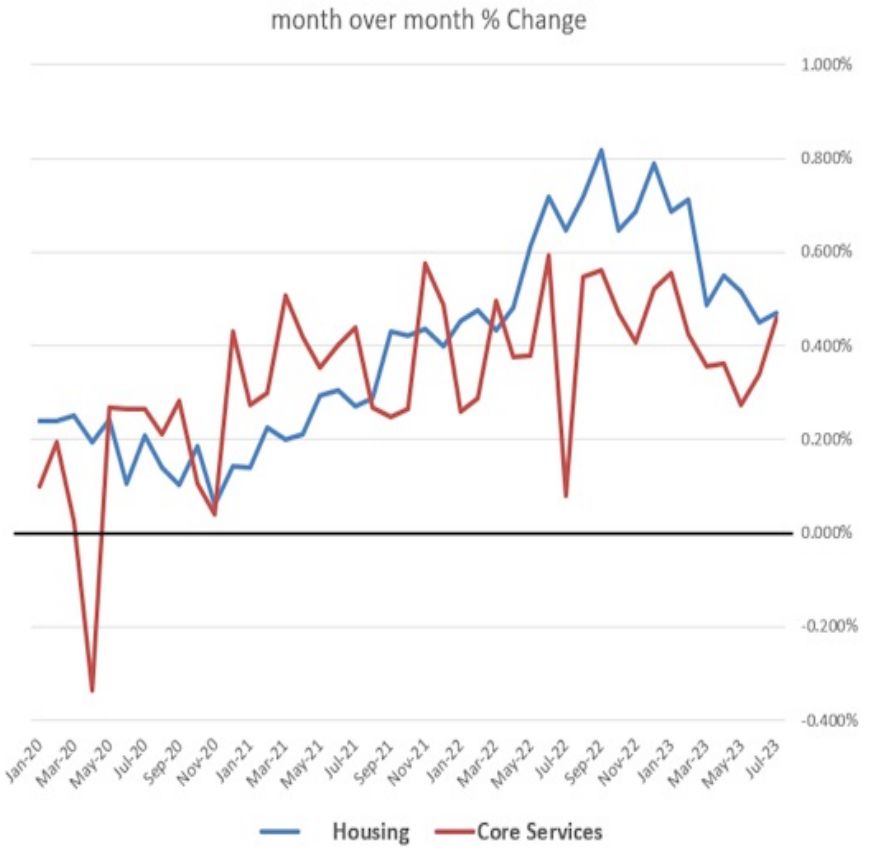
But just this week, the Fed's own preferred gauge of inflation came in at levels consistent with "just right" inflation. Those who disagree with the Fed would point to that fact in addition to the fact that the Fed's tight monetary policies historically take time to fully impact the economy and that we're already seeing the early signs of that impact. Their conclusion: the Fed should start being a bit friendlier to rates NOW if they want to avoid a recessionary "hard landing" scenario.

Who's right? It's complicated. Inflation is moving in the right direction, but not for all the right reasons. Specifically, core inflation in the services sector, excluding housing (all the rage these days) is up in each of the past two months. Housing-related inflation is moving in the right direction, but is still way too high.

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It's also worth noting that the Fed is well aware of the progress, but their inflation targets are expressed in ANNUAL terms. They would point out that our observation above about inflation being at levels consistent with "just right" is only true if nothing changes over the next 9-10 months. As of today, annual inflation is still way too high.

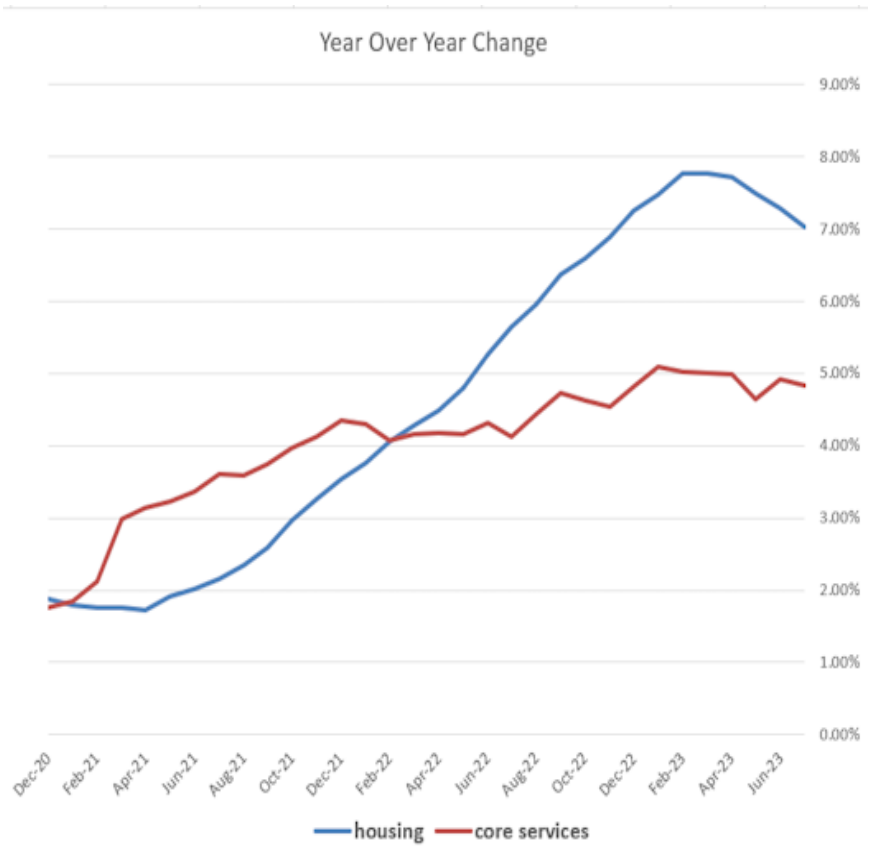


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The housing and core services components are even higher, and core services excluding housing (red line below) really hasn't made any meaningful progress in 2023



Landings, Hard and Soft

The Fed hikes rates in order to make your cars, homes, and credit card payments higher in the hopes you'll buy less stuff. Then prices can fall (or at least stop rising so fast) and then everyone can afford to buy more stuff again, but in not such a crazy way as 2021-22.

The Fed is often criticized for keeping rates too high for too long, thus contributing to a sharper downturn in the economy (after all, the economy is driven by you spending your money on stuff), aka "the hard landing." The fact is that true recessions almost always have a root cause in addition to rates being too high, but the Fed's detractors would like a bit more clairvoyance. In a perfect world, the Fed could sense a build-up of recessionary risks and begin gently toning down the high rate rhetoric a bit earlier than the data might suggest.

It's Complicated.

Unfortunately for people debating hard/soft landings, and especially for the Fed, the only way to even begin to hope to correctly time an early policy de-escalation in the pursuit of a soft landing would be to rely on and scrutinize the incoming data. So to rephrase the concept above, the Fed could sense a recession brewing before the data confirms it by keeping a close eye on that same data. Basically, they need to be able to predict the future.

Predictions are tough--especially about the future. For the Fed or anyone else trying to predict the near term economic future, the data is open to interpretation. This week's examples included home prices, job openings, and Friday's all-important nonfarm payrolls or NFP (the headline number in the Labor Department's Employment Situation, known simply as "the jobs report").

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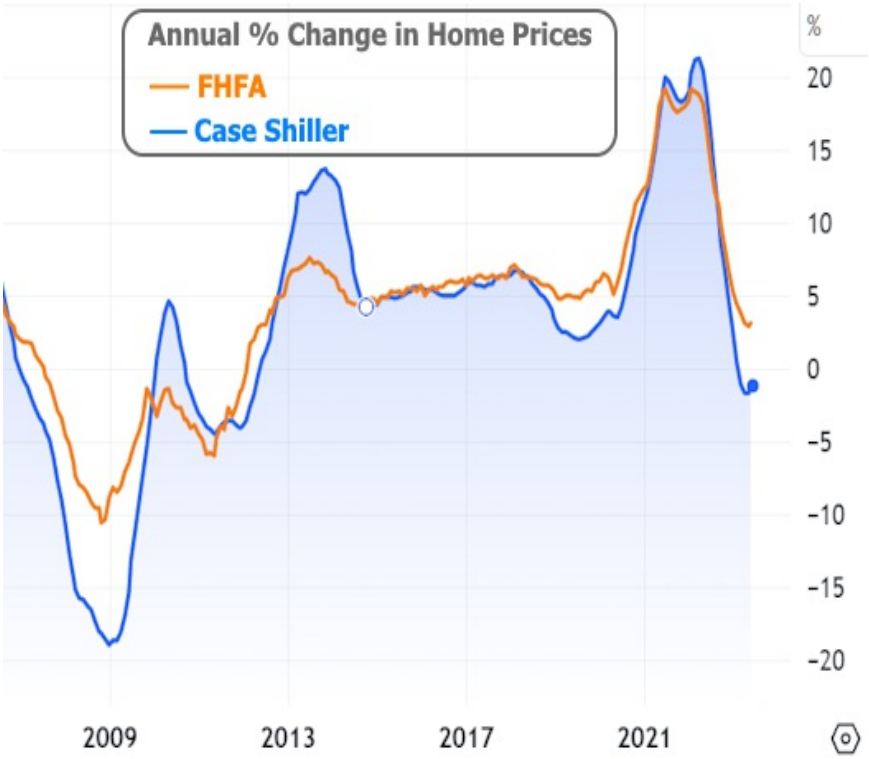
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Home Prices.

This actually isn't a big topic of concern for non-housing economists at the moment. It's fairly well understood that a tight supply situation is keeping prices from falling despite the high outright levels and high mortgage costs. It doesn't hurt that the mortgage market is worth infinitely more confidence in 2023 than it was on its best day in 2007.

The more volatile Case Shiller price index (which only measures the biggest 20 metro areas) barely turned negative in year-over-year terms. The broader FHFA index bounced before going any lower than +2.8%.

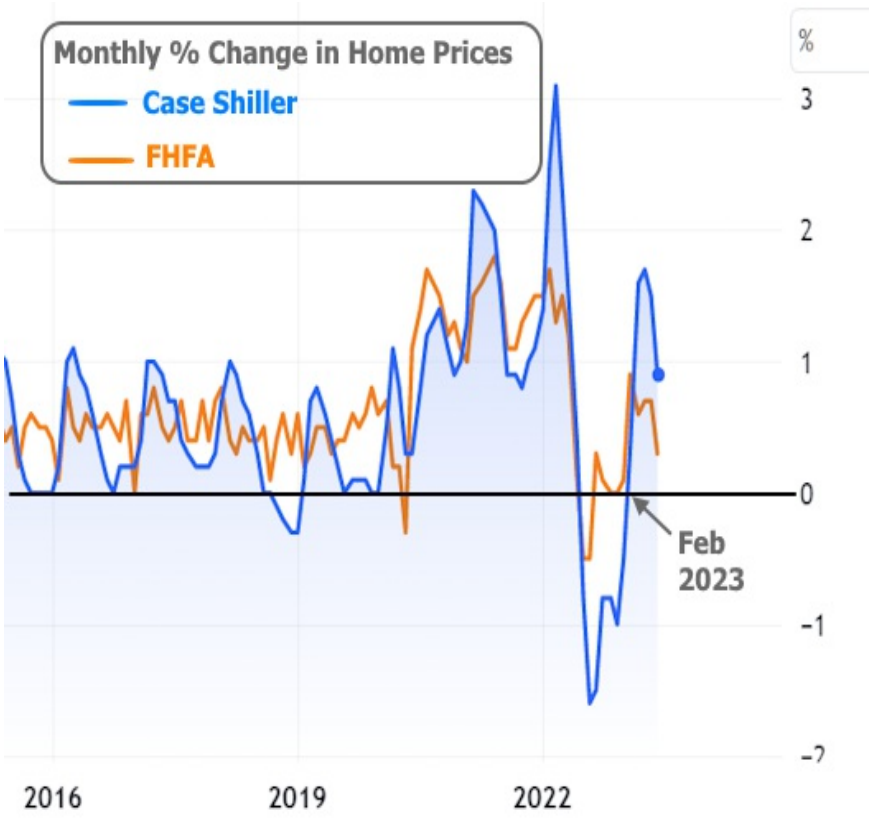


Disclaimers are always in order when observing any "bounce" in the market or the economy: we can only see the latest bounce, and they can happen in both directions! In other words, we can't really know if prices will keep moving up at any particular pace. But by looking at month-over-month data, we can see price changes turning positive in February and remaining positive since then.

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Several Ways to Measure Jobs

If we don't care too much about home prices to help us predict the future, and if inflation (and its delayed reaction to policy) is the reason we're trying to predict the future in the first place, where else can we look? Survey says "labor market" on that one, and the 2nd place answer isn't even close.

Weekly jobless claims data is about as timely as it gets. Claims are up a bit in 2023 vs 2022, but after spiking for a few weeks this summer, they've been in a flat trend near multi-decade lows. This week brought yet another confirmation of that trend.

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Zooming in:



Earlier in the week, the JOLTS report (job openings and labor turnover survey) came out much lower than expected. Openings were back to early 2021 levels and "quits" (an equally important metric showing how readily workers would give up a job, either because they don't need the income or because they can easily get another one) are now back in line with pre-pandemic levels.

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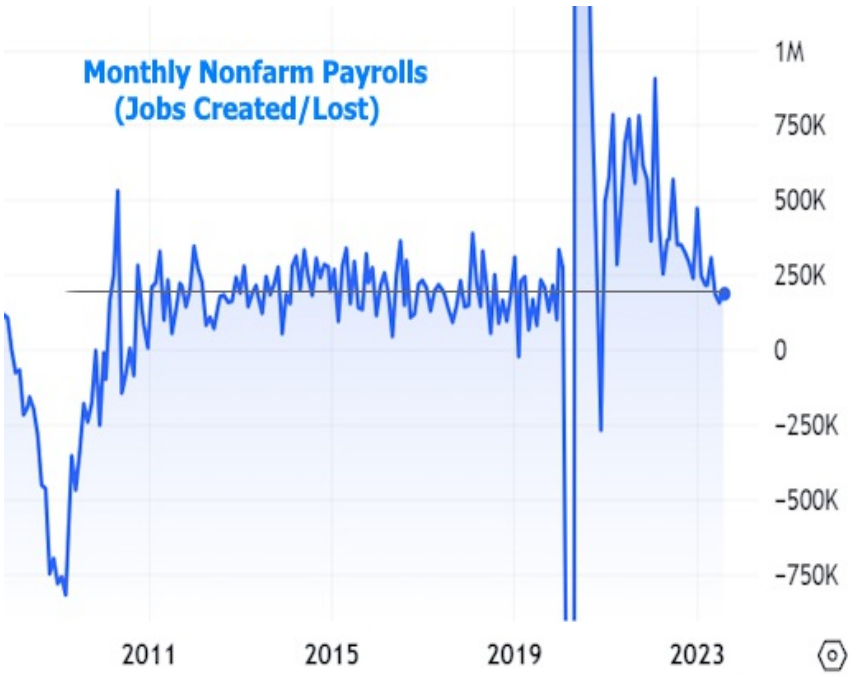
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More than any other economic data this week, the chart above is the sort of thing that the market thinks the Fed should keep in mind when it meets to decide on the next rate hike (or lake thereof) in a few weeks. That said, the Fed would be within their right to conclude that openings and quits are normalizing-which is to be expected. Indeed, Powell has previously expressed surprise and bewilderment at the persistent levitation skills of this data series.

The data above would be balanced with the fact that payroll counts--while lower than they were a few months ago--are only now getting back in line with pre-pandemic norms.



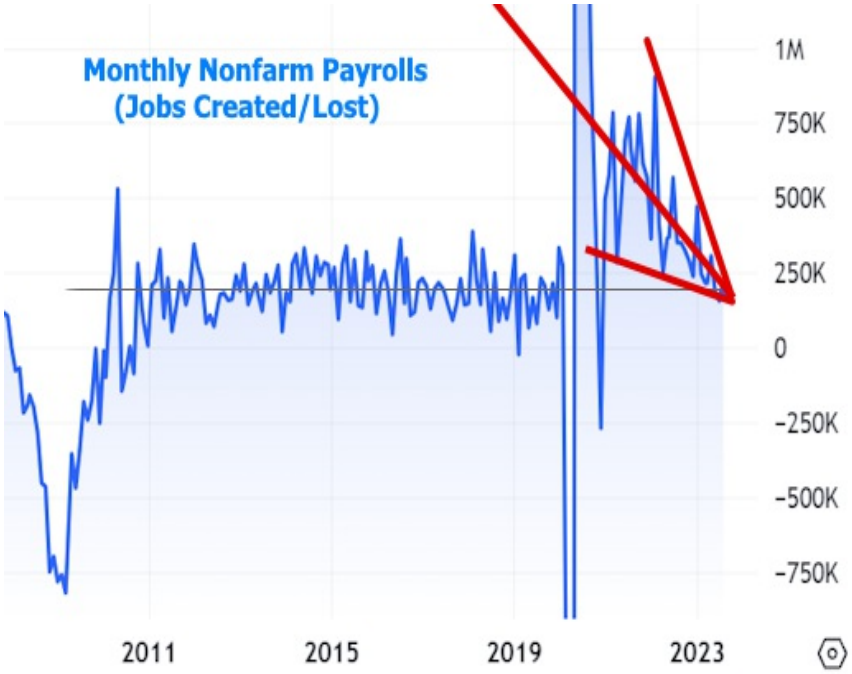
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It's Not Complicated! It's Simple!

If you were to produce Family Feud, Junior Edition, and you polled 100 five year olds and asked them where the blue line in the chart above is going next, what do you imagine 95% of them would say? If you're mind when somewhere like this, you're not alone:



The Fed isn't stupid. They can see that trend. They also acknowledge there are things about this economic cycle that have surprised them, and that it's more dangerous in the long term to cut rates too soon as opposed to too late. Crude mark-ups aside, both the Fed would likely be a bit surprised that payrolls haven't moved lower, sooner. The market definitely seemed surprised on Friday. Bonds (represented by 10yr Treasury yields below) lost a good amount of the ground they'd gained earlier in the week after the job openings data. Stocks are included because they often mirror the movement in the 10yr when the market is adjusting its expectations for Fed policy.

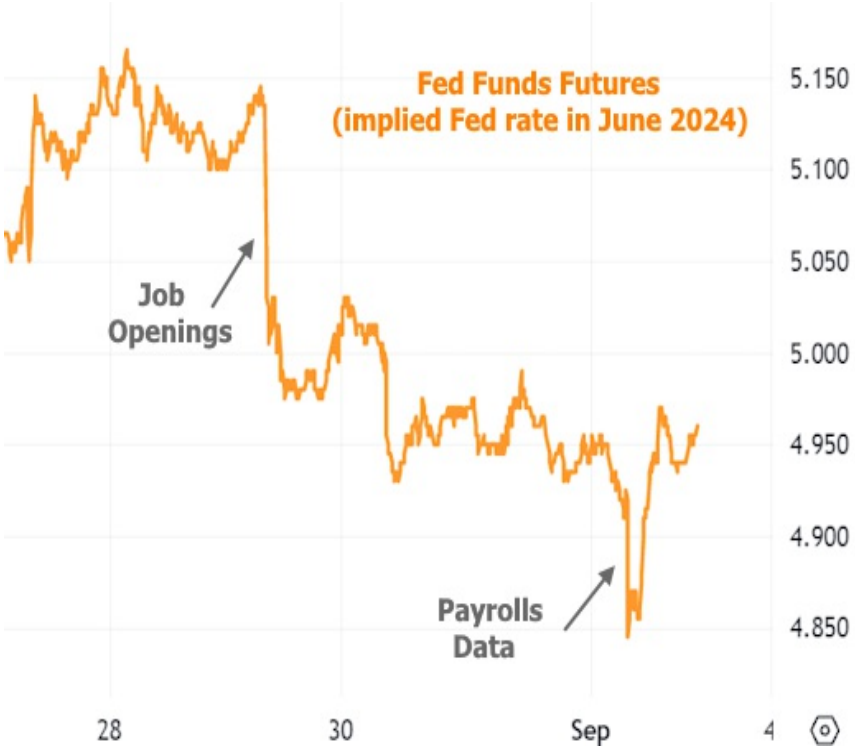
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10yr Treasuries aren't the best tool for measuring Fed expectations. We can actually go right to the source with a chart of Fed Funds Futures--contracts that allow traders to bet on the level of the Fed Funds Rate for a specific month in the future. There's more movement in months that are a bit farther in the future. The following chart shows expectations for the middle of 2024.



Not as much of a give-back as the 10yr made it seem, but no improvement either. The important takeaway from this chart is that the market is giving the Fed some respect. Traders think the Fed will see the warning signs in the data and begin to consider rate cuts in 2024. The market is also acknowledging the soft landing potential for the economy with the harsher treatment of longer-term rates like 10yr Treasuries.

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To reiterate, while all of the interdependent forces influencing rates and the economy are complicated at first glance, if economic data keeps doing what it's been doing, things are actually pretty simple. The only thing that's unequivocally complicated is accurately predicting the future.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Tuesday, Aug 29				
9:00AM	Jun Case Shiller Home Prices-20 y/y (%)	-1.2%	-1.3%	-1.7%
9:00AM	Jun FHFA Home Price Index m/m (%)	0.3%		0.7%
9:00AM	Jun FHFA Home Prices y/y (%)	3.1%		2.8%
9:00AM	Jun CaseShiller 20 mm nsa (%)	0.9%	0.6%	1.5%
10:00AM	Jul USA JOLTS Job Openings	8.827M	9.465M	9.582M
10:00AM	Aug CB Consumer Confidence (%)	106.1	116	117
Wednesday, Aug 30				
7:00AM	Aug/25 MBA Refi Index	407.1		397.1
7:00AM	Aug/25 MBA Purchase Index	144.9		142
8:15AM	Aug ADP jobs (k)	177K	195K	324K
8:30AM	Q2 GDP Advance (%)	2.1%	2.4%	2%
10:00AM	Jul Pending Home Sales (%)	0.9%	-0.6%	0.3%
Thursday, Aug 31				
8:30AM	Aug/26 Jobless Claims (k)	228K	235K	230K
8:30AM	Jul Core PCE Inflation (y/y) (%)	4.2%	4.2%	4.1%
8:30AM	Jul Core PCE (m/m) (%)	0.2%	0.2%	0.2%
9:45AM	Aug Chicago PMI	48.7	44.1	42.8
Friday, Sep 01				
8:30AM	Aug Average earnings mm (%)	0.2%	0.3%	0.4%
8:30AM	Aug Non Farm Payrolls	187K	170K	187K
8:30AM	Aug Unemployment rate mm (%)	3.8%	3.5%	3.5%
10:00AM	Aug ISM Manufacturing PMI	47.6	47	46.4
Monday, Sep 04				
12:00AM	Labor Day			
Wednesday, Sep 06				
7:00AM	Sep/01 MBA Purchase Index			
7:00AM	Sep/01 MBA Refi Index	388.1		407.1
9:45AM	Aug S&P Global Services PMI	50.5	51	52.3
10:00AM	Aug ISM N-Mfg PMI	54.5	52.5	52.7
Thursday, Sep 07				
8:30AM	Q2 Labor Costs Revised (%)	2.2%	1.9%	3.3%

Event Importance:

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

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Date	Event	Actual	Forecast	Prior
8:30AM	Sep/02 Jobless Claims (k)	216K	234K	228K

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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