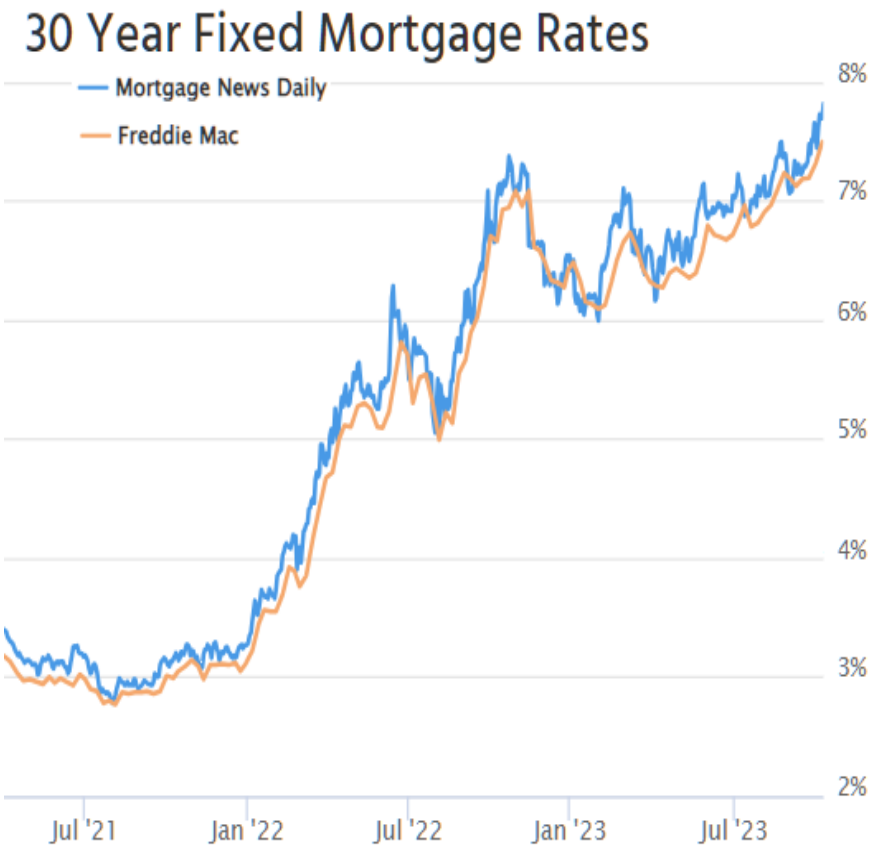


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Rates Surge Toward 8% After Jobs Data; Can "Spreads" Help?

Rates were already high coming into this week. As of last Friday, that meant an average 30yr fixed rate just under 7.5%. As of this Friday, we're closer to 8%.



Certain lenders may be quoting lower rates, but that often involves the presence of discount points. The Freddie Mac survey (orange line above) doesn't account for discount points. It's also a weekly average and has not yet counted the rates seen on Thursday or Friday.

Friday brought a sharp rise to the highest levels in 23 years. The most obvious culprit was the big monthly jobs report which showed job creation (nonfarm payrolls) increasing far faster than economists predicted. It was one of only a handful of months in the past few years that came in higher than the 12 month trailing average.

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

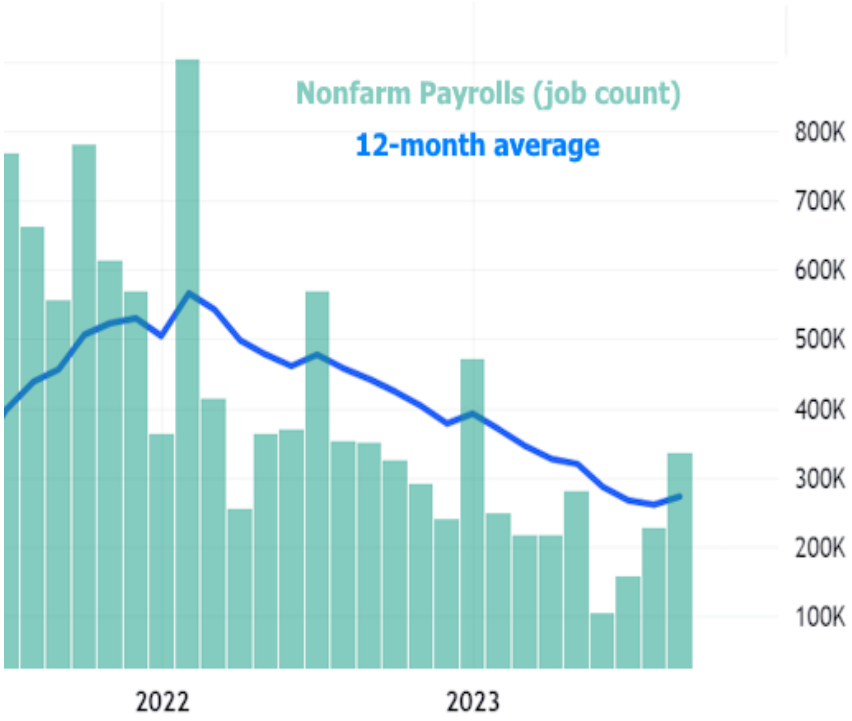
Recent Housing Data

		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%

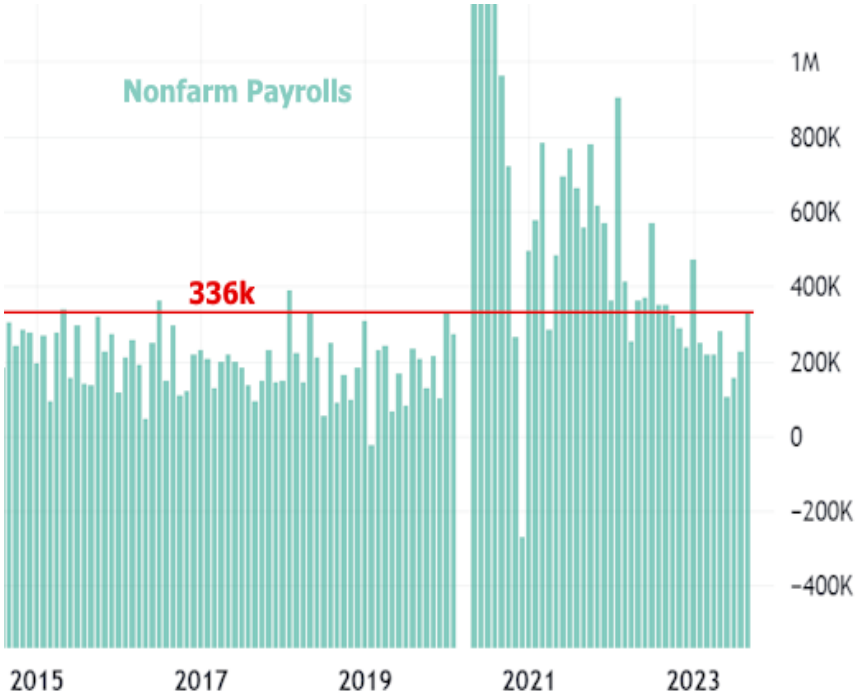
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Perhaps just as importantly, this is a level of job growth (336k) that falls at the upper edge of the pre-pandemic range.



Most economists thought we wouldn't be breaking back above 300k after averaging less than 200k for the past 3 months. In a world where the Fed constantly reiterates "data dependence," this was a blow for rates. 10yr Treasury yields--the most ubiquitous long-term rate benchmark--left no doubts as to the bond market's response.

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It's easy enough to see the vertical line after the jobs data, but what's up with the fairly big recovery later in the day? If bonds are freaked out about data, why would they erase a majority of the losses?

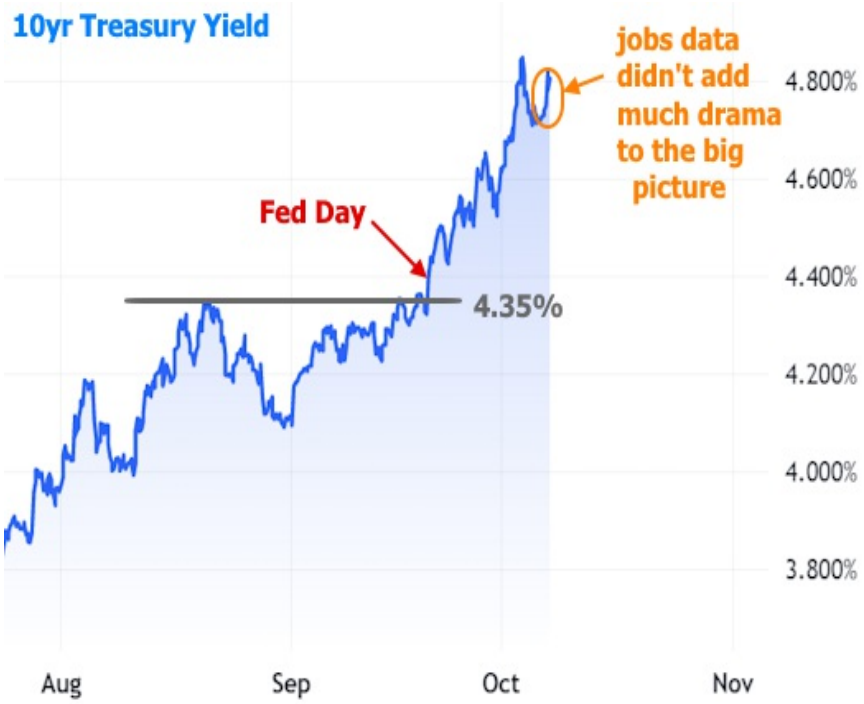
There are a few reasons. The best one is actually the most esoteric as it has to do with the tendency for traders to close out trading positions on Fridays and especially on the Fridays before 3-day weekends. If traders were betting on higher rates (and they were!), the closing of those positions would bring rates back down a bit.

Ultimately, that position closing doesn't really change the bigger picture. In fact, the jobs report reaction barely sticks out on a longer term chart. What DOES stick out is the shift in momentum that began after the last Fed day--the one we've discussed a few times now as the market's way of repricing toward a "higher for longer" rate trajectory.

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It continues to be the case that economic data needs to be substantially more downbeat on a consistent basis (2-3 months) in order for the Fed to acknowledge that a true shift is taking place and that the end of their "higher for longer" policy stance is up for discussion. Only then would rates have a chance to meaningfully decline.

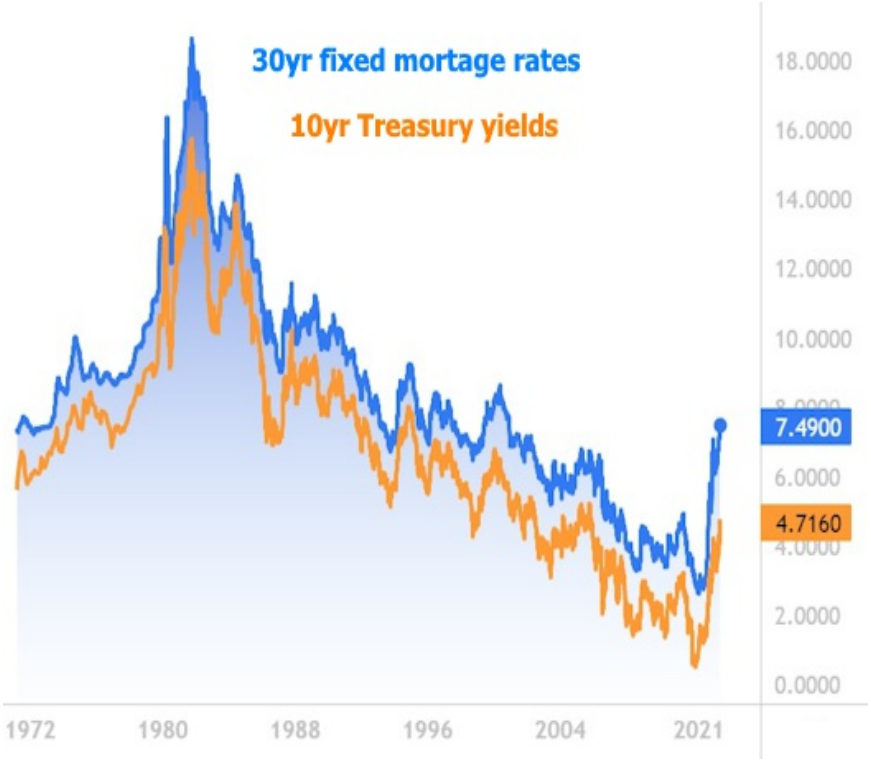
Still, there's lots of hope out there that rates could/should decline for other reasons. One observation that's become quite popular is the wide spread between mortgage rates and 10yr Treasury yields. For some reason, people think if spreads could only be a bit more narrow, mortgage rates could be more tolerable without the need for any major change in the broader bond market.

The following chart shows mortgage rates and 10yr yields on the same axis. It's hard to track spreads with a chart like this, but it's easy to see why the 10yr is used as a benchmark for mortgages!

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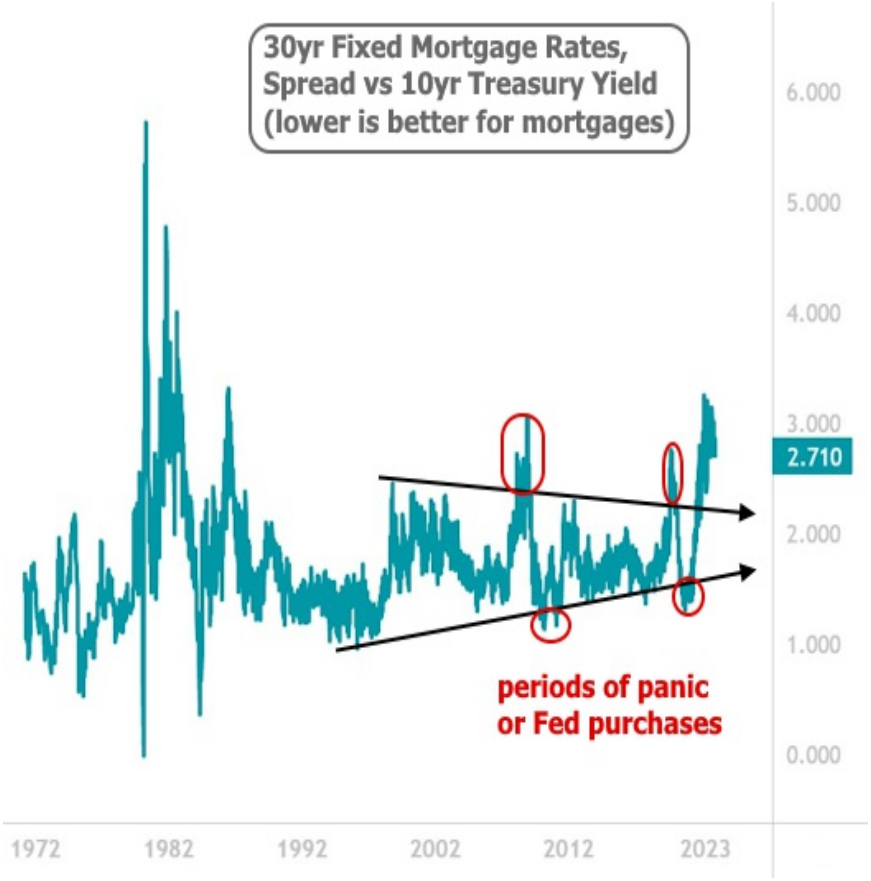


The next chart makes the change in spreads easier to track. It is quite simply the value of the blue line above minus the value of the orange line. It shows that people might not be too crazy to hope for a return to a more normal spread range. After all, if we're near 3% right now, a move down to 2% would put the average mortgage lender back in the high 6% range for a 30yr fixed.

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A 2% spread is probably something that can be reasonably entertained, but some pundits are talking about spreads in the 1 to 1.5% range. A tightening of that magnitude is highly unlikely in the short term and possibly even "ever." To talk about why, we first need a quick refresher on the Fed's role in the mortgage market.

In order to prevent more catastrophic outcomes from the Great Financial Crisis, the Fed began buying large amounts of mortgage-backed securities (MBS) in 2009. In conjunction with the Fannie/Freddie conservatorship, this calmed investors and brought spreads down (mortgage buyers demand higher yields/rates when mortgage debt is perceived as more risky, thus inflating spreads).

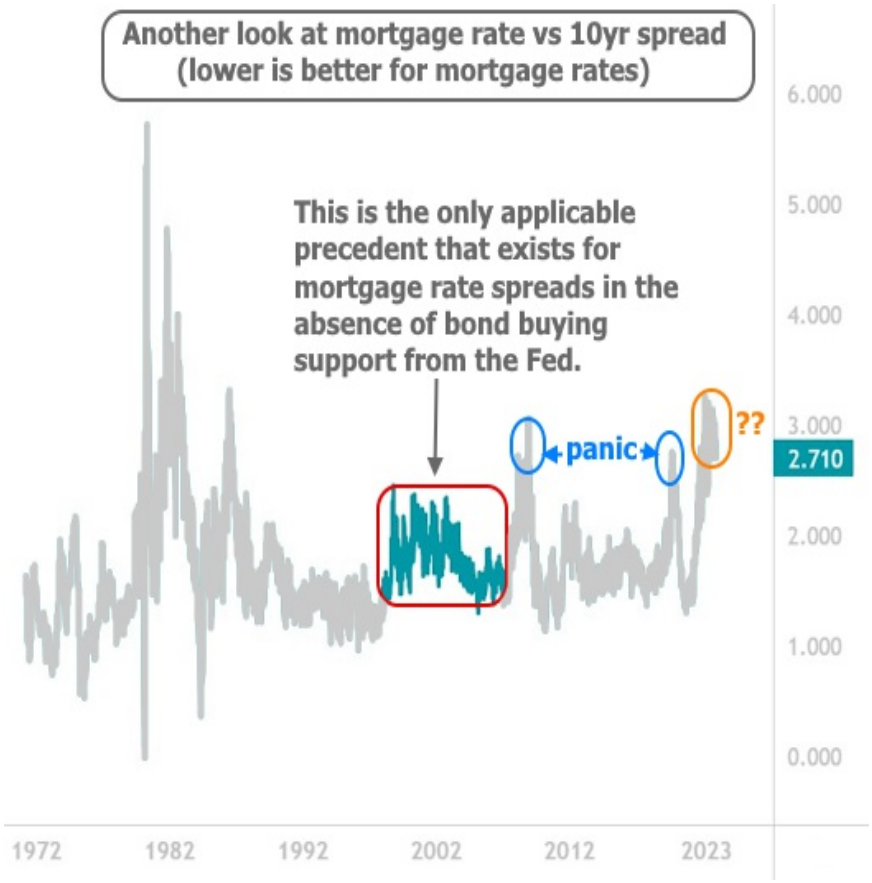
Over the next decade, the Fed would not be able to stop buying MBS for long without spreads blowing out. Notably, there was only about a year of time before covid that the Fed was actually decreasing the amount of MBS it owned. That year coincided with broadly lower rates due to the trade war, and a lower rate trend helps spreads stay more narrow than they otherwise would be.

Why can't we use the time before the financial crisis as a spread baseline? We can, to some extent, but nothing before the housing reforms of the mid 90s which expanded accessibility to mortgage financing and made the landscape riskier for investors. There is a very obvious bump in spreads at that time, and that marks the only real baseline that matters. Here's the same chart, but with that time frame highlighted.

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Since covid, we've had two instances of panic. The first was addressed with the most massive glut of Fed bond buying in the history of Fed bond buying. It crushed spreads and set us up for the world of pain we're in now. As the Fed once again began shrinking its mortgage holdings in 2022, spreads blew out again. Combined with the surge higher in benchmark rates and the overall volatility (both things that hurt mortgage spreads) we saw even higher levels at the end of 2022.

But now, miraculously, without any Fed intervention, spreads have been grinding to slightly narrower levels. Sure, they're still very wide, historically, but the Fed will definitely not be riding to the rescue this time around. Moreover, policymakers won't likely be concerned enough to do anything about it until and unless a broader interest rate correction fails to help mortgage rate spreads come in a bit. Fortunately, a broader interest rate correction will almost certainly do just that. Just don't expect it to restore the 1.0-1.5% spread level any time soon.

Think of it more like this: if 10yr yields find a scenario where they can rally down to 3.5% and spreads can return to 2.0%, that puts a 30yr fixed mortgage rate at 5.5%. At that level, the conversations about the weird things that need to happen to save the mortgage market would be very different, or altogether unnecessary.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Monday, Oct 02				
10:00AM	Sep ISM Manufacturing PMI	49	47.8	47.6
Tuesday, Oct 03				

Event Importance:

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

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Date	Event	Actual	Forecast	Prior
10:00AM	Aug USA JOLTS Job Openings	9.61M	8.8M	8.827M
Wednesday, Oct 04				
7:00AM	Sep/29 MBA Purchase Index	136.6		144.8
7:00AM	Sep/29 MBA Refi Index	384.6		411.7
8:15AM	Sep ADP jobs (k)	89K	153K	177K
9:45AM	Sep S&P Global Services PMI	50.1	50.2	50.5
10:00AM	Sep ISM N-Mfg PMI	53.6	53.6	54.5
10:00AM	Aug Factory orders mm (%)	1.2%	0.2%	-2.1%
Thursday, Oct 05				
7:30AM	Sep Challenger layoffs (k)	47.457K		75.151K
8:30AM	Sep/30 Jobless Claims (k)	207K	210K	204K
Friday, Oct 06				
8:30AM	Sep Non Farm Payrolls	336K	170K	187K
8:30AM	Sep Unemployment rate mm (%)	3.8%	3.7%	3.8%
8:30AM	Sep Average earnings mm (%)	0.2%	0.3%	0.2%
Tuesday, Oct 10				
10:00AM	Aug Wholesale inventories mm (%)	-0.1%	-0.1%	-0.2%
Wednesday, Oct 11				
8:30AM	Sep Producer Prices (%)	0.5%	0.3%	0.7%
Thursday, Oct 12				
8:30AM	Oct/07 Jobless Claims (k)	209K	210K	207K
8:30AM	Sep m/m CORE CPI (%)	0.3%	0.3%	0.3%
8:30AM	Sep m/m Headline CPI (%)	0.4%	0.3%	0.6%
8:30AM	Sep y/y CORE CPI (%)	4.1%	4.1%	4.3%
8:30AM	Sep y/y Headline CPI (%)	3.7%	3.6%	3.7%
Friday, Oct 13				
8:30AM	Sep Import prices mm (%)	0.1%	0.5%	0.5%
10:00AM	Oct Consumer Sentiment (ip)	63	67.2	68.1

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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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