



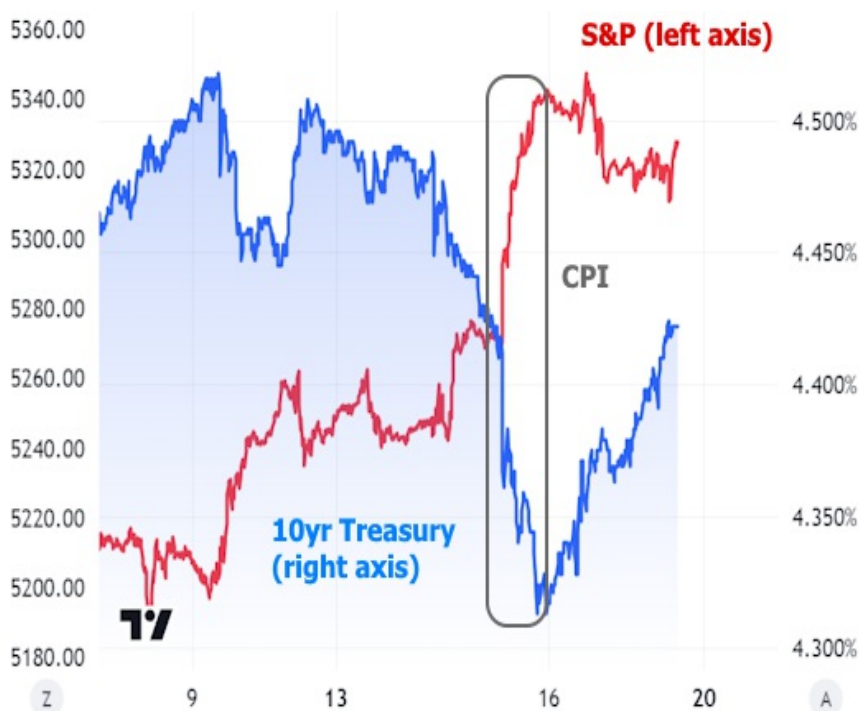
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## Hotly Anticipated Inflation Data Keeps Hope Alive

As long as inflation is the top concern for financial markets, the Consumer Price Index (CPI) is the most important economic report on any given month and it came out this week. Stocks and bonds both improved sharply despite the results merely matching forecasts.



This is the reality of the market's current relationship with inflation: it's been so much higher for so much longer than expected that the absence of more bad news is actually good news.

To be fair, this report was definitely a bit better than the last with the most closely-watched metric (core, month-over-month) hitting its 0.3% forecast. That number matches the average reading over the past 12 months which is why the annual rate of core inflation remains well above its 2.0% target.

## National Average Mortgage Rates



	Rate	Change	Points
<b>Mortgage News Daily</b>			
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
<b>Freddie Mac</b>			
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%



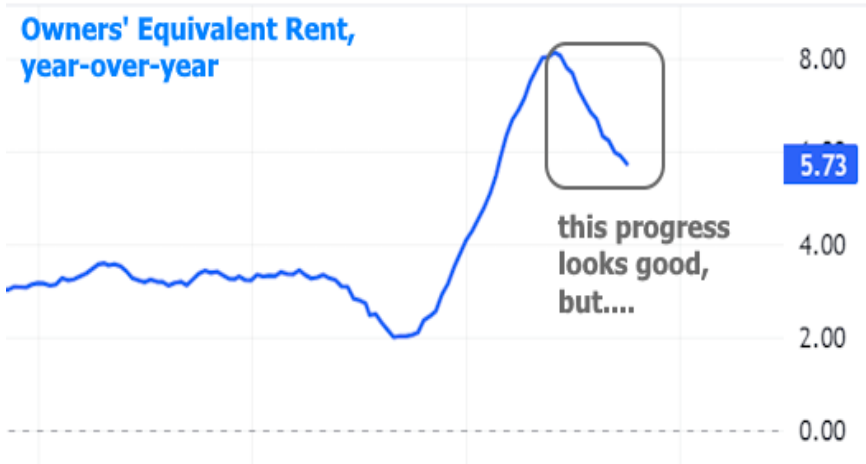
Core inflation ultimately needs to be down in the 0.1 to 0.2 range in month-over-month terms if the annual number is to hit the 2.0% target. But the Fed will be willing to cut rates before we officially hit 2.0% as long as the monthly data makes it seem highly likely.

Both the Fed and financial markets are also watching other parts of the inflation data for reassurance about further cooling. Among these, the metric measuring home payment inflation (Owners' Equivalent Rent or OER) is arguably at the top of the list. This makes sense considering it accounts for the largest portion of the most problematic inflation category.

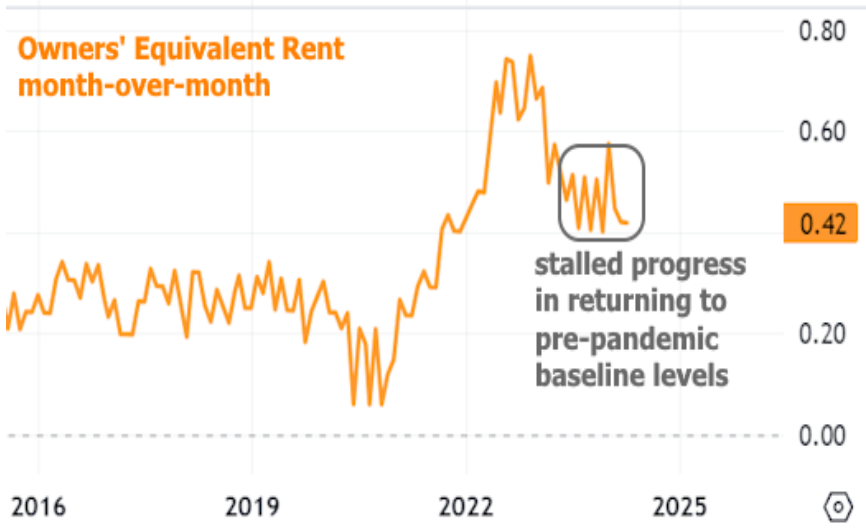
OER is also good to watch because it is more prone to gradual trends than other line items and it is also typically well-correlated with more timely rental data from private market sources. This allows for increased confidence that it will end up where it looks like it's headed. In fact, this belief is one reason that many market participants expected more progress in inflation by now.

OER **had been** moving in the right direction before unexpectedly pausing at elevated levels. This has been a source of confusion and consternation for market participants and Fed officials alike.

Owners' Equivalent Rent, year-over-year



Owners' Equivalent Rent month-over-month

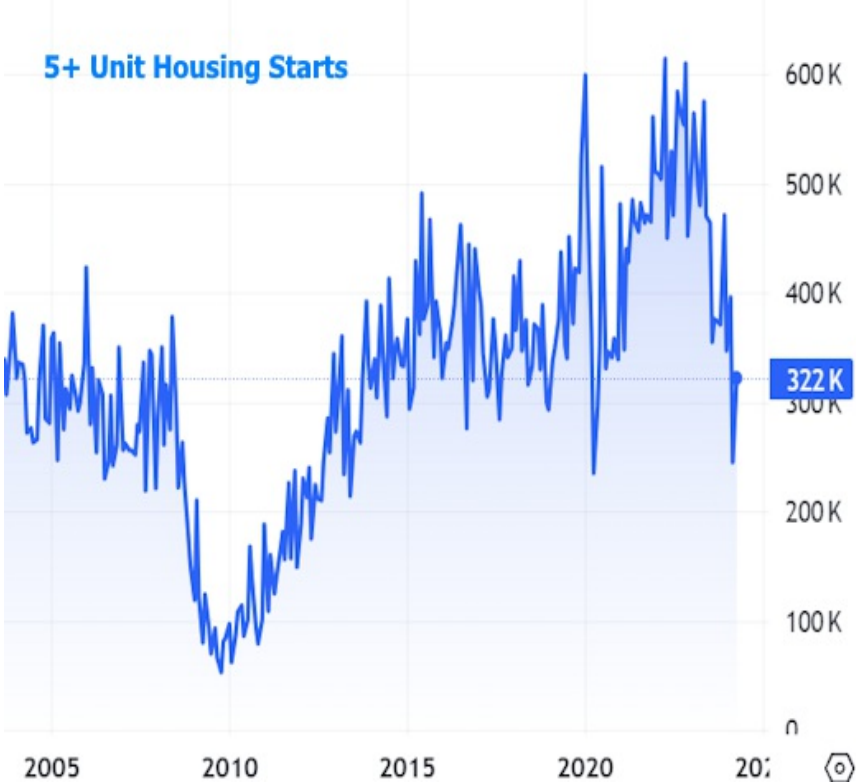


What will it take for OER to get over this stalled progress? There are several theories and/or factors, depending on whom you ask, but most answers include the factor of **time**.

Another important factor is the supply of housing--especially multi-family housing which has a more direct impact on rent price trends than other housing. In new data from the Census Bureau this week, multi-family residences were completed at one of the fastest paces in decades despite being just off recent highs.



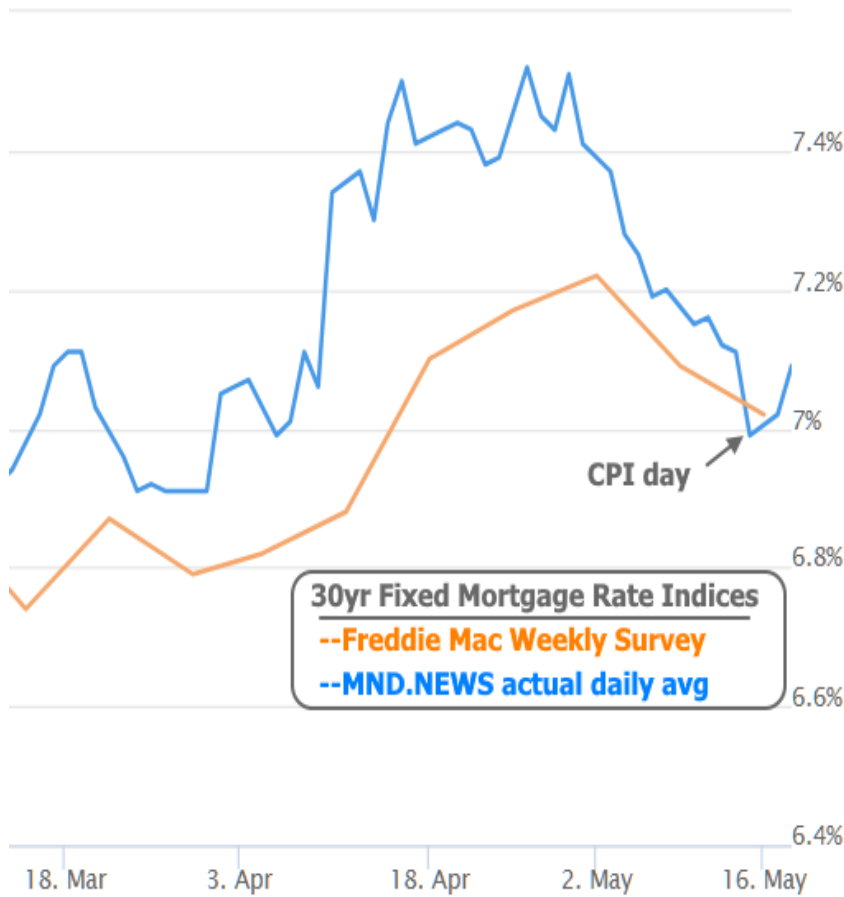
The caveat is that new multi-family construction projects are breaking ground at much slower pace than a year ago. If "starts" are running at an annual pace of just over 300k, it's only a matter of time before completions are no longer able to remain in 500k+ territory.



The slower pace of new construction isn't specific to the multifamily sector. Even when looking at the all-inclusive numbers, building permits and housing starts have definitely been in a holding pattern as completions continue adding up.



Analyzing housing supply in order to anticipate improvements in inflation data is forward-looking to say the least. Back in the present, mortgage rates ended the week much lower than last week despite some push-back on Thursday and Friday.



In other words, rates have pulled back only slightly after a solid winning streak. Granted, you could take an even longer term view and say rates only managed the winning streak because they were at their highest levels in more than 5 months by the end of April, but nobody likes a party pooper.

Either way, we are where we are now and we're only going to see meaningful improvement if big ticket inflation data moves back toward the Fed's 2% target. With that in mind, we don't really have any big ticket data until the first week of June. Between now and then, anything goes when it comes to market movement, but it probably won't go too far in either direction until the data returns.

The only real caveat for next week is the Fed. There will not be a new Fed announcement, but there are multiple speakers on the circuit as well as the release of the minutes from the most recent Fed meeting. If we had to guess, we'd say the market is already well aware of the Fed's current stance, but it's always prudent to consider potential volatility surrounding any major Fed communication.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
<b>Monday, May 13</b>				
11:00AM	Apr Consumer Inflation Expectations	3.3%		3%
<b>Tuesday, May 14</b>				
10:00AM	Powell at European Banking Conference			

Event Importance:

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

Date	Event	Actual	Forecast	Prior
<b>Wednesday, May 15</b>				
7:00AM	May/10 MBA Refi Index	499.9		477.5
7:00AM	May/10 MBA Purchase Index	141.7		144.2
8:30AM	Apr y/y CORE CPI (%)	3.6%	3.6%	3.8%
8:30AM	Apr m/m CORE CPI (%)	0.3%	0.3%	0.4%
8:30AM	Apr Retail Sales (%)	0%	0.4%	0.7%
10:00AM	May NAHB housing market indx	45	51	51
<b>Thursday, May 16</b>				
8:30AM	Apr Housing starts number mm (ml)	1.36M	1.42M	1.321M
8:30AM	Apr Building permits: number (ml)	1.440M	1.48M	1.467M
8:30AM	May Philly Fed Business Index	4.5	8	15.5
8:30AM	Apr Import prices mm (%)	0.9%	0.3%	0.4%
8:30AM	May/11 Jobless Claims (k)	222K	220K	231K
9:15AM	Apr Industrial Production (%)	0%	0.1%	0.4%
<b>Friday, May 17</b>				
10:00AM	Apr CB Leading Index MoM (%)	-0.6%	-0.3%	-0.3%
<b>Wednesday, May 22</b>				
10:00AM	Apr Existing home sales (ml)	4.14M	4.21M	4.19M
2:00PM	FOMC Minutes			
<b>Thursday, May 23</b>				
8:30AM	May/18 Jobless Claims (k)	215K	220K	222K
9:45AM	May S&P Global Manuf. PMI	50.9	50	50
9:45AM	May S&P Global Services PMI	54.8	51.3	51.3
<b>Friday, May 24</b>				
8:30AM	Apr Durable goods (%)	0.7%	-0.8%	2.6%
10:00AM	May Consumer Sentiment (ip)	69.1	67.5	77.2

## 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**

