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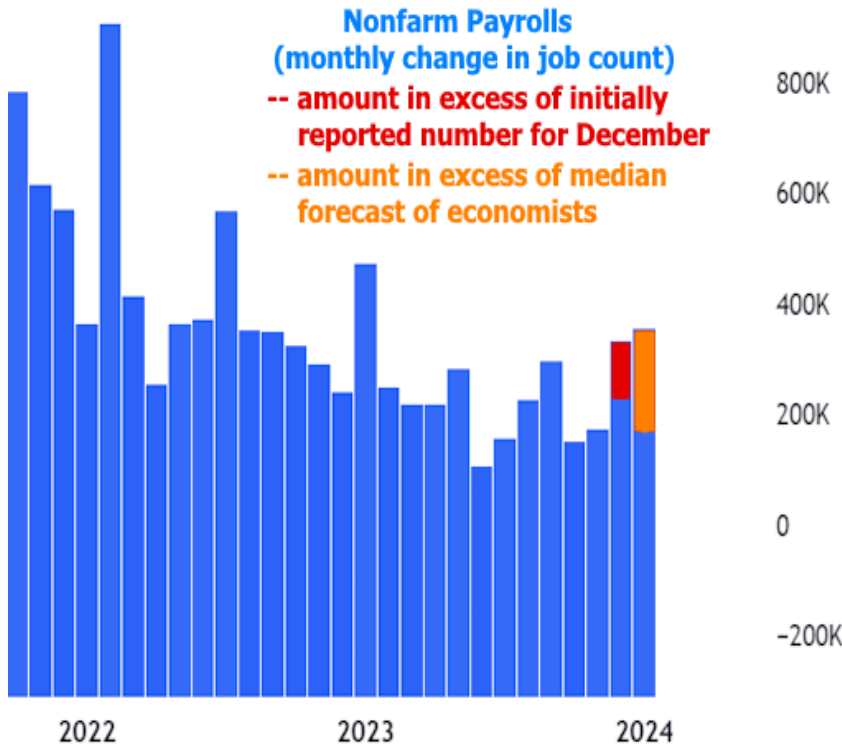
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Worst Day For Rates in More Than a Year After Jobs Report, But It's Not as Bad as it Sounds

Interest rates have a long and reliable history of reacting to the jobs report more than any other monthly economic data and the most recent example sent mortgage rates screaming higher at the fastest pace in over a year.

Labor market strength = higher rates, all other things being equal, and Friday's NFP or "nonfarm payrolls" (the main component of the report), came in **significantly** higher than expected (353k vs 180k forecast). December's payroll count was also revised much higher (333k versus 216k previously).



When NFP deviates from expectations by such a wide margin, it's unfortunately common to see a lot of commentary suggesting some sort of manipulation or at least incompetence, but that's not something that smart, credible market participants tend to entertain. Reason being: they understand that January's jobs data (the stuff released in early Feb) is often plagued by major departures from expectations because it's the one month of

National Average Mortgage Rates



	Rate	Change	Points
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Mortgage News Daily

30 Yr. Fixed	6.43%	+0.02	0.00
15 Yr. Fixed	5.95%	0.00	0.00
30 Yr. FHA	5.82%	+0.02	0.00
30 Yr. Jumbo	6.62%	0.00	0.00
5/1 ARM	6.28%	-0.01	0.00

Freddie Mac

30 Yr. Fixed	6.35%	-0.51	0.00
15 Yr. Fixed	5.51%	-0.65	0.00

Rates as of: 8/30

Market Data

	Price / Yield	Change
MBS UMBS 5.0	99.35	-0.16
MBS GNMA 5.0	99.91	-0.04
10 YR Treasury	3.9039	+0.0424
30 YR Treasury	4.1932	+0.0468

Pricing as of: 8/30 5:59PM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Aug 28	226.9	+0.49%
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%

US Housing Market Weekly

the year where the Bureau of Labor Statistics (BLS) implements new benchmarks based on a comprehensive count of jobs conducted in March of the previous year.

The BLS benchmark revision process is mind-numbingly arcane for most people who don't have a background in statistics. Unfortunately, the esoteric nature of the problem leaves lots of room for people without a background in statistics to come up with conspiracy theories.

To understand this better, consider the changing composition of jobs over time. BLS adjusts job counts based on weightings that are determined once per year based on a more thorough count of labor market information in March. If the composition of the labor market is changing more rapidly than normal (which is an understatement for the post-covid economy), it can result in big deviations from expectations when the revisions are implemented in the January data.

If you'd like to see the actual changes in each industry category, BLS publishes the data here: <https://www.bls.gov/web/empsit/cesprelbnk.htm>

Benchmark revisions, alone, don't explain the wild results this week, but they help the financial market take the numbers with a grain of salt.

There are, of course, other ways to look at the labor market without having to worry about all that confusing stuff. For instance, we could simply ask people if they're unemployed. BLS does that and, indeed, those numbers were far less shocking (unemployment rate of 3.7%, unchanged from last month, but slightly stronger than expected).



Even after the "yeah buts," the jobs report was still deemed much stronger than expected, and that's the sort of thing that pushes mortgage rates higher.

The bond market (which determines rates) was also stretching into levels that were arguably a lot lower than expected due to events of the previous 4 days this week. That made Friday's whiplash all the more brutal. Without the big drop earlier in the week, bond yields would look like they were leveling off more gently from recent highs.

US Housing Market Weekly



Consider this, both of the past 2 days saw the biggest drop in mortgage rates in more than a month. The two days before that were also slightly stronger. Mortgage rates on Friday are roughly in line with last week's highest rates. Only by comparing Thursday's surprisingly low rates to Friday's abrupt bounce can we observe the biggest single day jump since October 2022.



Believe it or not, there are even more confusing reasons behind this week's volatility that have to do with the structure of the mortgage-backed securities market, but we'll save that for a dedicated "deep dive" in the future. The bottom line is that it took something of a perfect storm to cause this big of a jump in rates.

Rather than focus on attempting to understand why things happened in the recent past, perhaps it's better to consider what it means for the near-term future. The good news is that a strong labor market alone is not capable of keeping rates at higher levels if inflation continues to come down.

In this week's policy announcement press conference, Fed Chair Powell said the Fed is confident that inflation is doing what it needs to in order for the Fed to cut rates this year, but that they'd like to be just a bit more confident. Strong labor market data increases doubts, all other things being equal, but if upcoming inflation reports show more evidence of core inflation moving back to the 2% target, financial markets will move into position for lower rates even before the Fed officially cuts.

The next major inflation report is 2 weeks away which leaves investors to focus on other economic data next week in addition to comments from Fed speakers and the Treasury auction cycle.

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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.

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