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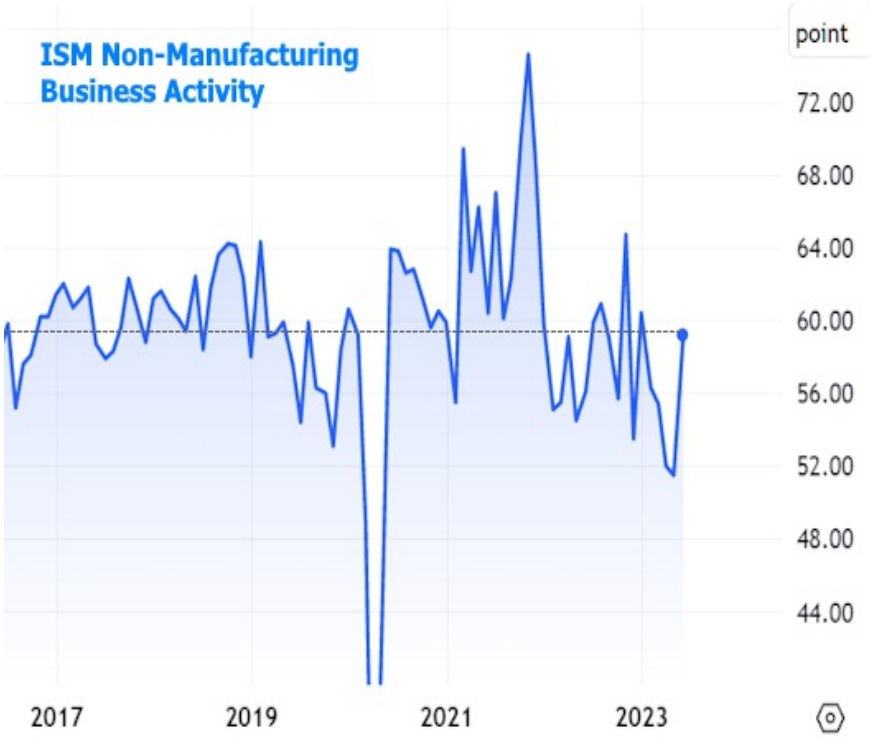
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# Mortgage Rates Back Over 7% as Markets Digest Economic Data

Until a few weeks ago, it looked like we might have seen the last of 7% mortgage rates, but the last 2 weeks have been brutal. The culprit has been a collection of several scheduled economic reports that were stronger than economists expected.

Generally speaking, strong economic data puts upward pressure on rates. This is a particularly sensitive relationship at the moment because the Fed has clearly stated it will hike rates a few more times unless the economy downshifts more abruptly than it has been. With that in mind, some of the recent data hasn't shown any downshift at all!

One solid example from this week was the business activity index in the services sector (via ISM), which rebounded massively:




On the same morning, the ADP employment data proved to be a much bigger deal, coming in at 497k versus a median forecast of 228k. Although the track record is far from perfect, ADP's stated goal is to predict the all-important nonfarm payroll (NFP) count in the Labor Department's big monthly jobs report. In this week's case, NFP was set to come out the following morning.

## National Average Mortgage Rates




| Mortgage News Daily | Rate | Change | Points |
|---|---|---|---|
| 30YR Fixed | 7.27% | 0.00 | 0.00 |
| 15YR Fixed | 6.92% | 0.00 | 0.00 |
| 30YR FHA | 6.91% | +0.01 | 0.00 |
| 30YR Jumbo | 7.52% | -0.03 | 0.00 |
| 7/6 SOFR | 6.70% | -0.08 | 0.00 |
| 30YR VA | 6.92% | +0.01 | 0.00 |

Rates as of: 11/2

## MBS and Treasury

| | Price / Yield | Change |
|---|---|---|
| MBS UMBS 6.0 | 99.78 | -0.09 |
| 10 YR Treasury | 4.9471 | +0.0423 |
| 30 YR Treasury | 5.3168 | +0.0273 |

Pricing as of: 11/3 11:49AM EST

## Recent Housing Data

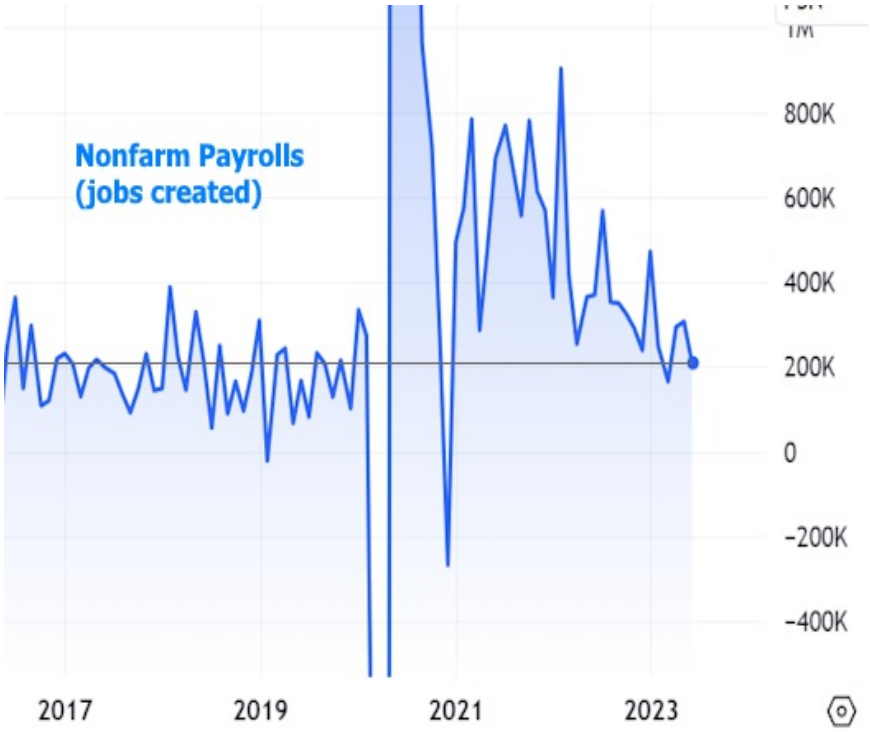
| | | Value | Change |
|---|---|---|---|
| Mortgage Apps | Oct 21 | 195 | +3.39% |
| Building Permits | Sep | 1.4M | +0.43% |
| Housing Starts | Sep | 1.22M | -4.24% |
| New Home Sales | Sep | 676K | -1.17% |
| Pending Home Sales | Aug | 71.2 | 0% |
| Existing Home Sales | Oct | 3.99M | +0.25% |
| Builder Confidence | Oct | 29 | -9.38% |

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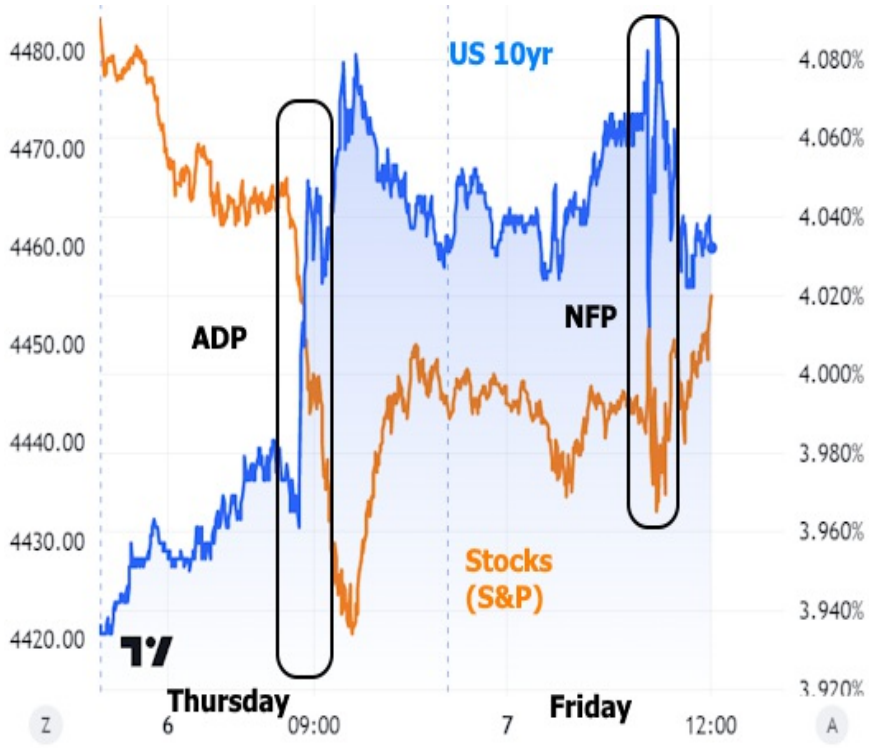
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Although NFP didn't nearly live up to ADP's hype, it was nonetheless solid with 209k jobs created versus forecasts calling for 225k. Wages grew a bit faster than expected, and unemployment remained near record lows at 3.6%.




While this is good news for the economy and the labor market, bonds (which drive mortgage rates) like bad news and the news wasn't bad enough for bonds to undo the damage done on Thursday.

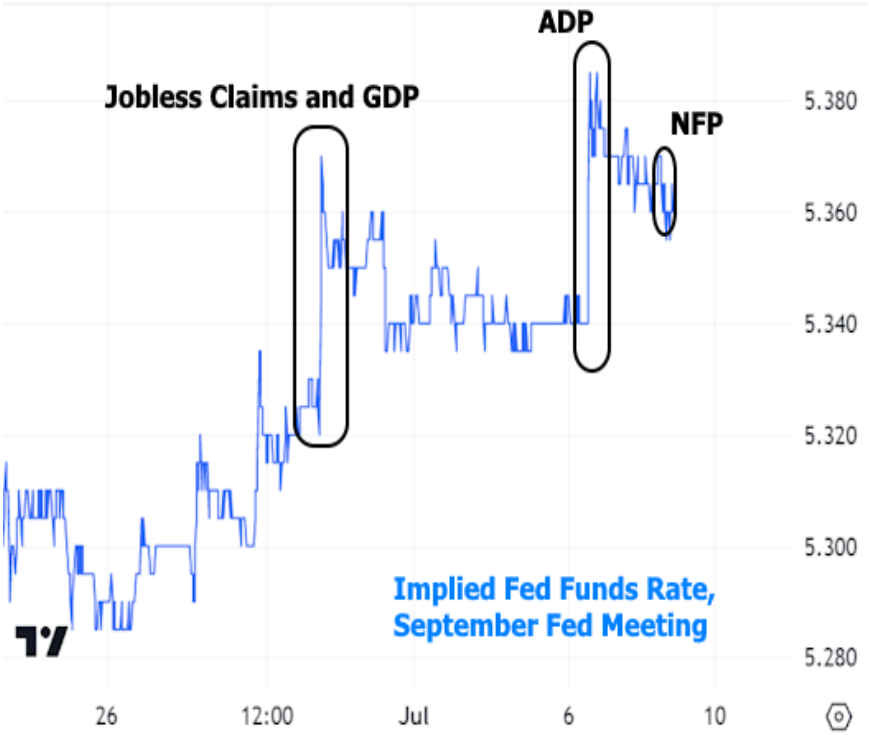



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Incidentally, stocks occasionally like bad news these days too. This is a bit counterintuitive, but it has to do with the data's implication on the Fed's rate hike outlook. Specifically, the stronger data causes the market to predict a higher trajectory for the Fed Funds Rate:




In the bigger picture, the recent weakness is changing the shape of the trend in longer-term rates. The following chart uses Treasury yields to show a "breakout" from a recent trend of lower highs.

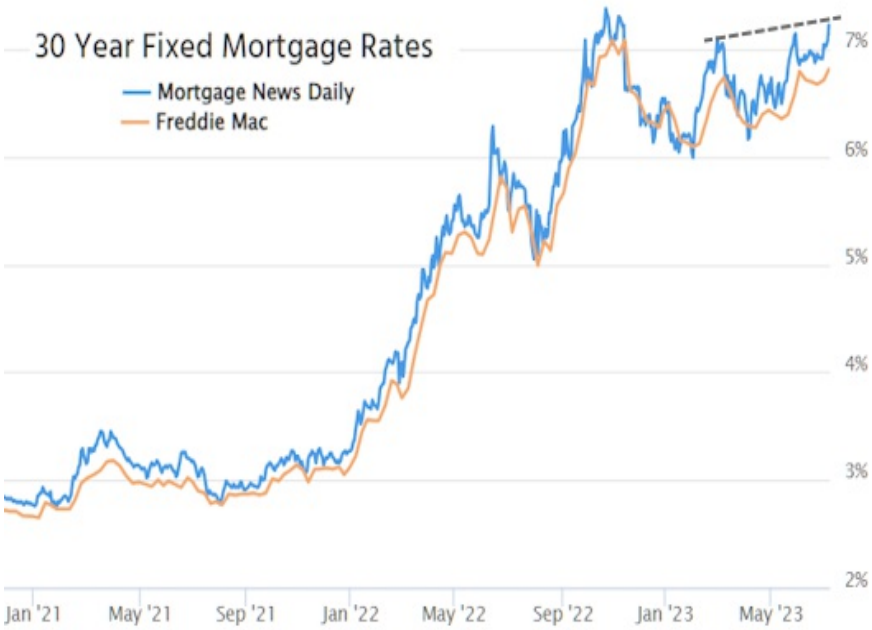
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Mortgage rates are highly correlated with longer-term Treasuries so it's no surprise that they are also breaking out. In fact, they began to break out in late May and then moved even higher this week. The result is a new trend of "higher highs" that started in March:




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The average lender moved well into the 7% range this week. That's much higher than suggested by Freddie Mac's weekly rate survey, which came in at 6.81% this week, but keep in mind that Freddie's survey has implied "points" (upfront loan costs that help bring the rate lower) that are not counted or reported. Contrast that to MND's index (the blue line in the chart above) which takes points into consideration. Lastly, Freddie's number is also an average of the 5 preceding days whereas MND is an up-to-the-moment check on prevailing rates.

What's next?

Expect the market to continue readily responding to economic data. One of the most important reports--the Consumer Price Index--will be out next Wednesday morning. If it shows inflation cooling more than expected, rates definitely have room to move lower. But if it takes a page out of this week's book and exceeds forecasts, rates will likely continue the trend of higher highs.

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## Recent Economic Data

| Date | Event | Actual | Forecast | Prior |
|---|---|---|---|---|
| **Monday, Jul 03** | | | | |
| 10:00AM | Jun ISM Manufacturing PMI | 46 | 47 | 46.9 |
| 10:00AM | May Construction spending (%) | 0.9% | 0.6% | 0.4% |
| **Wednesday, Jul 05** | | | | |
| 2:00PM | FOMC Minutes | | | |
| **Thursday, Jul 06** | | | | |
| 7:00AM | Jun/30 MBA Refi Index | 421.3 | | 439.2 |
| 7:00AM | Jun/30 MBA Purchase Index | 162.4 | | 170.3 |
| 7:30AM | Jun Challenger layoffs (k) | 40.709K | | 80.089K |
| 8:15AM | Jun ADP jobs (k) | 497K | 228K | 267K |
| 8:30AM | Jul/01 Jobless Claims (k) | 248K | 245K | 236K |
| 10:00AM | Jun ISM N-Mfg PMI | 53.9 | 51 | 50.3 |
| 10:00AM | Jun ISM Biz Activity | 59.2 | 51.9 | 51.5 |
| 10:00AM | May USA JOLTS Job Openings | 9.8M | 9.935M | 10.32M |
| **Friday, Jul 07** | | | | |
| 8:30AM | Jun Unemployment rate mm (%) | 3.6% | 3.6% | 3.7% |
| 8:30AM | Jun Average earnings mm (%) | 0.4% | 0.3% | 0.4% |
| 8:30AM | Jun Non Farm Payrolls | 209K | 225K | 306K |
| **Monday, Jul 10** | | | | |
| 10:00AM | May Wholesale inventories mm (%) | 0% | -0.1% | -0.3% |
| 3:00PM | May Consumer credit (bl) | $7.24B | $20.25B | $20.32B |
| **Tuesday, Jul 11** | | | | |
| 6:00AM | Jun NFIB Business Optimism Index | 91 | 89.9 | 89.4 |
| **Wednesday, Jul 12** | | | | |

## Event Importance:

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

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| Date | Event | Actual | Forecast | Prior |
|---|---|---|---|---|
| 7:00AM | Jul/07 MBA Refi Index | 416 | | 421.3 |
| 7:00AM | Jul/07 MBA Purchase Index | 165.3 | | 162.4 |
| 8:30AM | Jun m/m Headline CPI (%) | 0.2% | 0.3% | 0.1% |
| 8:30AM | Jun y/y Headline CPI (%) | 3% | 3.1% | 4% |
| 8:30AM | Jun y/y CORE CPI (%) | 4.8% | 5% | 5.3% |
| 8:30AM | Jun m/m CORE CPI (%) | 0.2% | 0.3% | 0.4% |
| **Thursday, Jul 13** | | | | |
| 8:30AM | Jul/08 Jobless Claims (k) | 237K | 250K | 249K |
| 8:30AM | Jun Core Producer Prices MM (%) | 0.1% | 0.2% | 0.1% |
| 8:30AM | Jun Core Producer Prices YY (%) | 2.4% | 2.6% | 2.6% |
| **Friday, Jul 14** | | | | |
| 10:00AM | Jul Consumer Sentiment (ip) | 72.6 | 65.5 | 64.4 |


## Personalized service, educational approach

My name is Brandon Ross, and I'm a Loan Officer with X2 Mortgage, LLC in Arizona. I'm here to help you achieve your real estate goals. As a mortgage broker, I can access numerous programs from the nation's top residential lenders. My promise is to remain valuable by delivering competitive rates at low costs, being available for you on your schedule, and most importantly, spending the time you need to make an informed and sound financial decision.

**Brandon Ross** 


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