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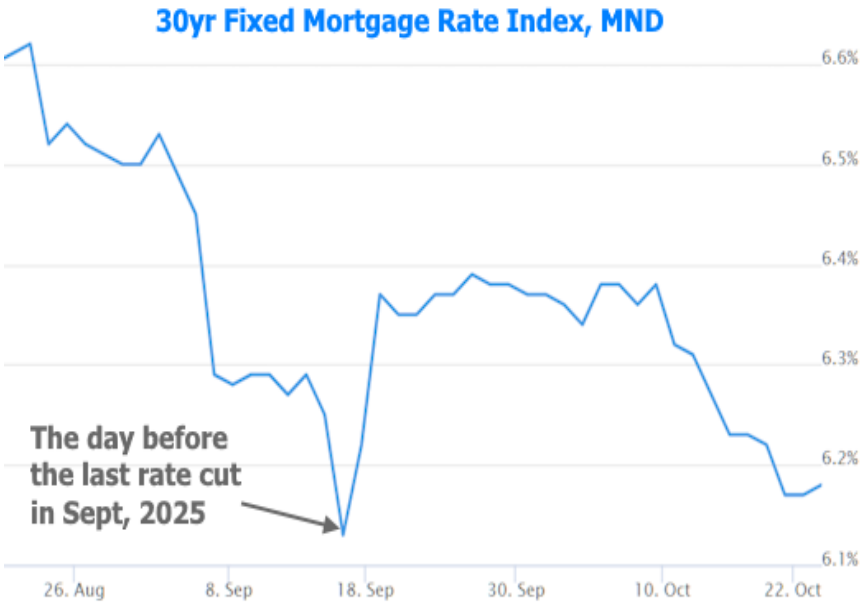
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# The Fed is Cutting Rates Next Week, But Not Mortgage Rates!

The end of October brings the next Fed announcement and it is a 100% certainty that they will be cutting rates again. Many people believe this means lower mortgage rates. Many people are wrong.

To be perfectly fair, mortgage rates COULD move lower after the Fed rate cut, but they could also move higher. We've certainly seen our fair share of counterintuitive reactions to rate cuts in the past.

In fact, most of the recent examples involve mortgage rates RISING after the Fed CUTS. September 2025's example couldn't be clearer:




Before that, the last time the Fed began cutting rates was September 2024, which also saw a large, counterintuitive reaction:

## National Average Mortgage Rates




| Mortgage News Daily | Rate | Change | Points |
|---|---|---|---|
| 30YR Fixed | 7.45% | -0.01 | 0.00 |
| 15YR Fixed | 6.99% | +0.01 | 0.00 |
| 30YR FHA | 7.05% | +0.01 | 0.00 |
| 30YR Jumbo | 7.50% | 0.00 | 0.00 |
| 7/6 SOFR | 7.00% | -0.07 | 0.00 |
| 30YR VA | 7.07% | +0.01 | 0.00 |

Rates as of: 11/19

## MBS and Treasury

| | Price / Yield | Change |
|---|---|---|
| MBS UMBS 6.0 | 99.36 | +0.26 |
| 10 YR Treasury | 4.9848 | -0.0588 |
| 30 YR Treasury | 5.3659 | -0.0403 |

Pricing as of: 11/20 9:19AM EST

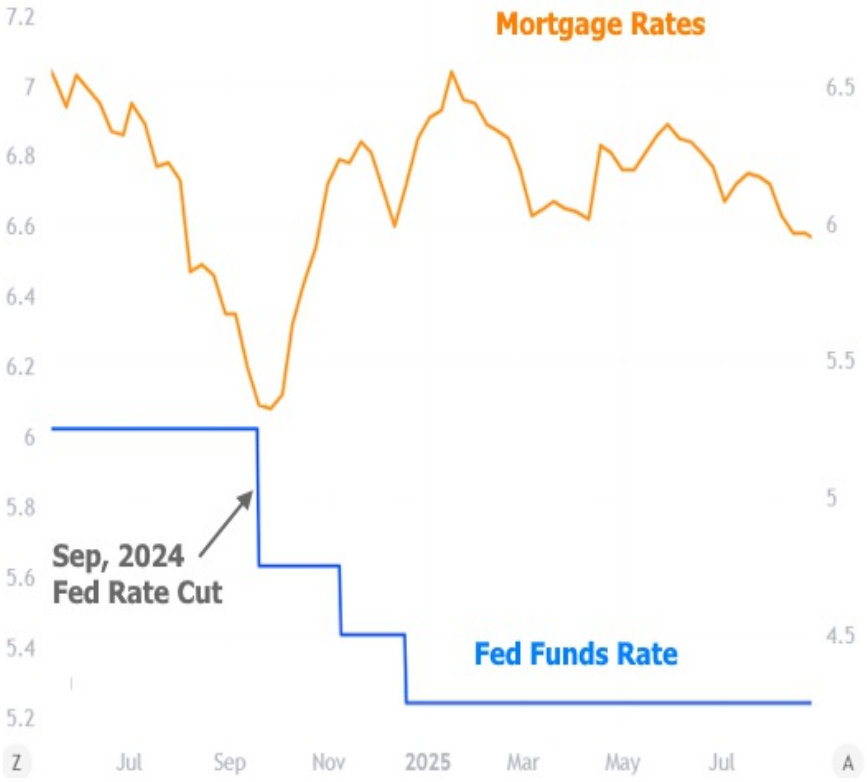
## Recent Housing Data

| | | Value | Change |
|---|---|---|---|
| Mortgage Apps | Nov 4 | 204.6 | +6.23% |
| 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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To be fair, whereas the Fed itself had a hand in pushing mortgage rates higher last month (based on the verbiage of the press conference), 2024's rate spike had a lot more to do with a shift in economic data. Either way, here's what matters:

**BY THE TIME THE FED CUTS RATES, THE MARKET (INCLUDING THE MORTGAGE RATE MARKET) HAS LONG SINCE GOTTEN IN POSITION.**

How does the market know what to expect? Most times, it's very clear when the Fed will cut based on the tone of comments from Fed speeches and a general understanding of the economic data that informs the Fed's decisions. The market can actually trade the anticipated Fed Funds Rate via futures contracts.

The following chart shows those rate expectations. In not so many words, the market has been roughly 100% sure of a Fed cut next week ever since the jobs report that came out in September.

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**Bottom line**: any potential benefit for mortgage rates due to the Fed Funds Rate was realized way back in early September. Mortgage rates have moved for other reasons since then because they don't have to wait for a set schedule to adapt to changing information. Contrast that to the Fed which only meets to set rates 8 times a year, thus often simply delivering what the market had already priced in.

**Last but not least**: This isn't to say that Fed Day can't have an impact on rates, only that said impact would have to come from unexpected WORDS in the Fed's statement or press conference. The rate change itself is not at all unexpected.

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## Recent Economic Data

| Date | Event | Actual | Forecast | Prior |
|---|---|---|---|---|
| **Wednesday, Oct 22** | | | | |
| 7:00AM | Oct/17 MBA Refi Index | 1214.7 | | 1168.0 |
| 7:00AM | Oct/17 MBA Purchase Index | 157.3 | | 166.0 |
| **Thursday, Oct 23** | | | | |
| 10:00AM | Sep Existing home sales (ml) | 4.06M | 4.1M | 4M |
| **Friday, Oct 24** | | | | |
| 8:30AM | Sep y/y Headline CPI (%) | 3% | 3.1% | 2.9% |
| 8:30AM | Sep m/m Headline CPI (%) | 0.3% | 0.4% | 0.4% |
| 8:30AM | Sep m/m CORE CPI (%) | 0.2% | 0.3% | 0.3% |
| 8:30AM | Sep y/y CORE CPI (%) | 3% | 3.1% | 3.1% |
| 9:45AM | Oct S&P Global Manuf. PMI | 52.2 | 52 | 52.0 |

## Event Importance:

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

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| Date | Event | Actual | Forecast | Prior |
|---|---|---|---|---|
| 9:45AM | Oct S&P Global Services PMI | 55.2 | 53.5 | 54.2 |
| 10:00AM | Oct Consumer Sentiment (ip) | 53.6 | 55 | 55.1 |
| **Tuesday, Oct 28** | | | | |
| 9:00AM | Aug Case Shiller Home Prices-20 y/y (%) | 1.6% | 1.9% | 1.8% |
| **Wednesday, Oct 29** | | | | |
| 10:00AM | Sep Pending Home Sales (%) | 0% | 1.6% | 4% |
| 2:00PM | Fed Interest Rate Decision | 4.0% | 4.0% | 4.25% |
| 2:30PM | Fed Press Conference | | | |
| **Friday, Oct 31** | | | | |
| 9:45AM | Oct Chicago PMI | 43.8 | 42.3 | 40.6 |

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