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# Rates Closing in on 8 Month Lows

After going to great lengths to explain why the Fed Funds Rate isn't the same as mortgage rates, we'll now have to discuss how the Fed nonetheless found a way to push rates lower this week.

We already know the Fed held rates steady last week, and we've discussed the fact that mortgage rates wouldn't necessarily have fallen even if the Fed had cut the Fed Funds Rate. But mortgage rates definitely respond in real time to changes in the EXPECTATIONS for the Fed Funds Rate in the future, and that was a key motivation this week.

This arguably began as early as the end of last week with comments from the Fed's Chris Waller that were much more open to the notion of a near-term rate cut than the consensus at last week's Fed meeting. That sentiment shifted into an even higher gear on Monday following a series of comments from Fed Vice Chair Bowman who plainly said that it was time to consider cutting and that it could happen as early as July if inflation pressure is contained.

A day later, Fed Chair Powell began 2 days of scheduled congressional testimony in which he arguably struck a more rate-friendly tone compared to last week's press conference. In a nutshell, the Fed just wants to rule out any tariff-related inflation surprises but is otherwise ready and willing to cut. Both stocks and bonds cheered the news, and bonds got an extra boost from some weaker labor market data that was concurrent with Powell on Tuesday.

## 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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If there was any doubt that Fed rate expectations were a driving force, the following chart overlays Fed Funds Futures (a tradeable security that allows the market to bet on the Fed Funds Rate in the future) and the 10yr Treasury yield (a ubiquitous yard stick for longer term interest rates, like mortgages).

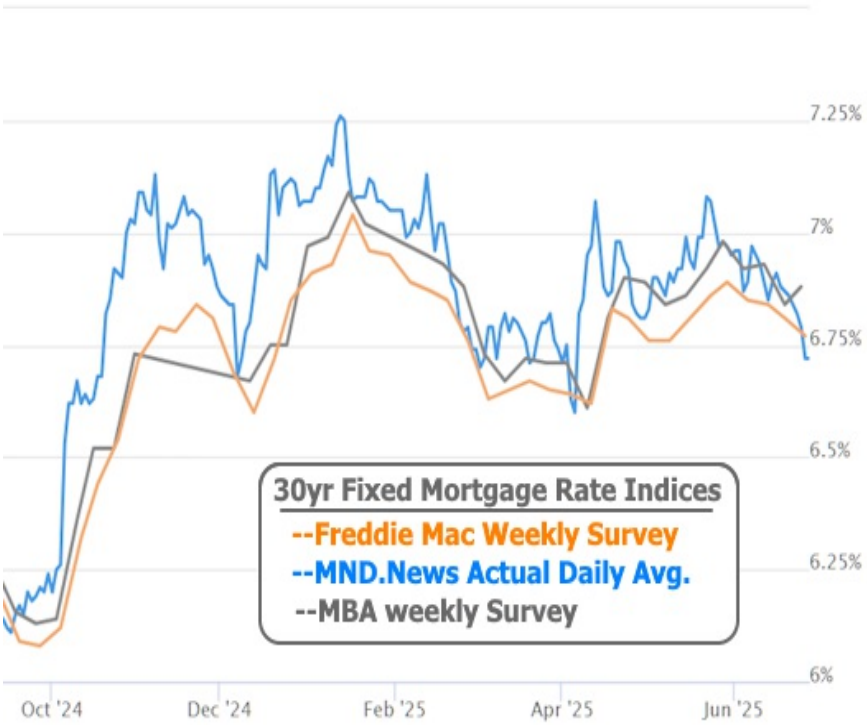
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The bond market improvement translated as it normally does to mortgage rates. The following chart shows broad indexes for best-case-scenario rates. By Thursday, MND's daily index was at the lowest level since early April.




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From here, it would only take a few more solid days for rates to be back to the lowest levels since October 2024. The coming week certainly has enough in terms of economic data to create that sort of movement. The catch is that the move has an equal chance of being higher or lower, depending on how the data comes in.

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## Recent Economic Data

| Date | Event | Actual | Forecast | Prior |
|---|---|---|---|---|
| **Monday, Jun 23** | | | | |
| 10:00AM | May Existing home sales (ml) | 4.03M | 3.96M | 4M |
| **Tuesday, Jun 24** | | | | |
| 9:00AM | Apr FHFA Home Prices y/y (%) | 3% | | 3.7% |
| 9:00AM | Apr Case Shiller Home Prices-20 y/y (%) | 3.4% | 4% | 4.1% |
| 10:00AM | Jun CB Consumer Confidence (%) | 93 | 100 | 98.0 |
| **Wednesday, Jun 25** | | | | |
| 7:00AM | Jun/20 MBA Refi Index | 713.4 | | 692.4 |
| 7:00AM | Jun/20 MBA Purchase Index | 165.2 | | 165.8 |
| 10:00AM | May New Home Sales (ml) | 0.623M | 0.69M | 0.743M |
| **Thursday, Jun 26** | | | | |
| 8:30AM | Q1 GDP (%) | -0.5% | -0.2% | 2.4% |
| 8:30AM | Jun/21 Jobless Claims (k) | 236K | 245K | 245K |
| 10:00AM | May Pending Home Sales (%) | 1.8% | -0.3% | -6.3% |
| **Friday, Jun 27** | | | | |
| 8:30AM | May Core PCE (m/m) (%) | 0.2% | 0.1% | 0.1% |
| 8:30AM | May Core PCE Inflation (y/y) (%) | 2.7% | 2.6% | 2.5% |
| 8:30AM | May Inflation-Adjusted Spending (Consumption) (%) | -0.1% | 0.1% | 0.2% |
| 8:30AM | May Personal Income (%) | -0.4% | 0.3% | 0.8% |
| **Monday, Jun 30** | | | | |
| 9:45AM | Jun Chicago PMI | 40.4 | 43 | 40.5 |
| **Tuesday, Jul 01** | | | | |
| 10:00AM | May USA JOLTS Job Openings (ml) | 7.769M | 7.3M | 7.391M |
| 10:00AM | Jun ISM Manufacturing PMI | 49.0 | 48.8 | 48.5 |
| **Wednesday, Jul 02** | | | | |
| 8:15AM | Jun ADP jobs (k) | -33K | 95K | 37K |
| **Thursday, Jul 03** | | | | |
| 8:30AM | Jun Non Farm Payrolls (k) | 147K | 110K | 139K |
| 8:30AM | Jun Unemployment rate mm (%) | 4.1% | 4.3% | 4.2% |
| 8:30AM | Jun/28 Jobless Claims (k) | 233K | 240K | 236K |
| 10:00AM | Jun ISM N-Mfg PMI | 50.8 | 50.5 | 49.9 |

## Event Importance:

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

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# Small But Mighty Locally Owned Mortgage Brokerage in Lahaina Maui Since 2003

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