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# Slow Start for Rates Gives Way to Volatility With More to Come Next Week

The week began with a distinct absence of interest rate volatility, but things changed in a big way by Friday--at least compared to the previous week which was exceptionally quiet.




In the bigger picture, however, it was just another week that felt volatility in the short term due to a surprising rate spike on Friday.

## 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

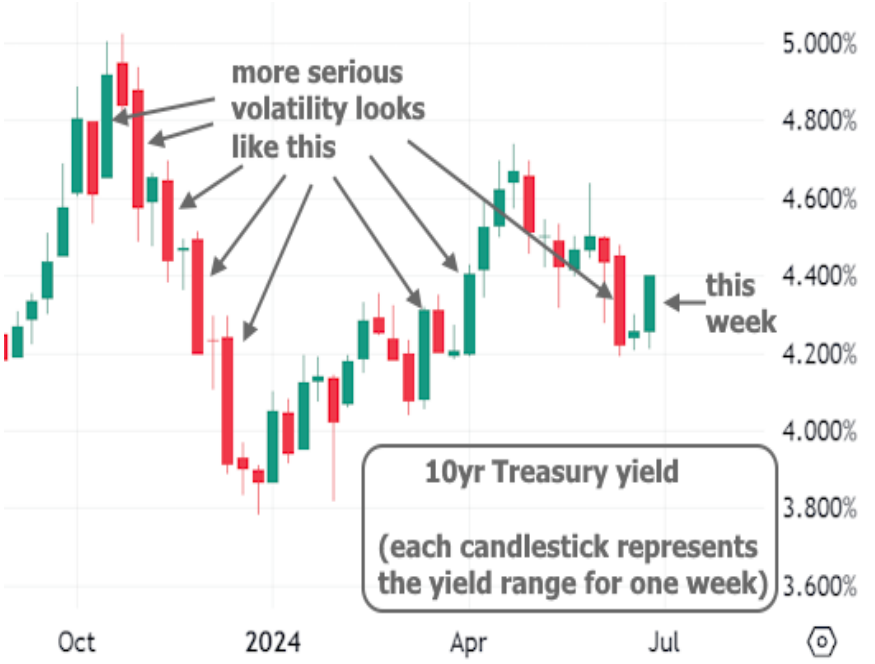
## Recent Housing Data

| | | 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% |

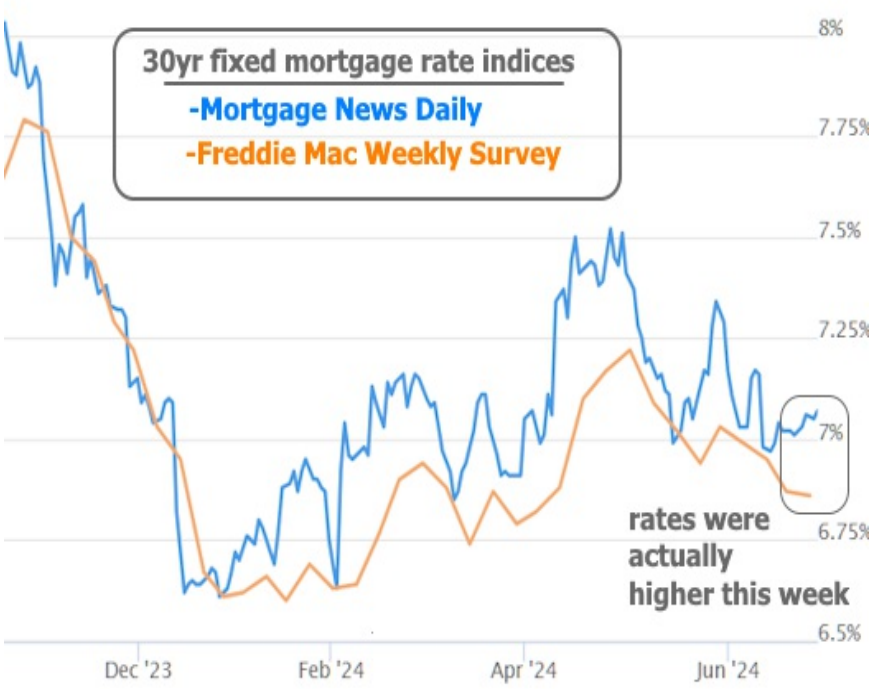
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Incidentally, the fact that this week's rate spike occurred at the end of the week means that Freddie Mac's weekly mortgage rate index missed detecting the shift. More timely daily data shows average mortgage rates trending slightly higher this week as opposed to lower.

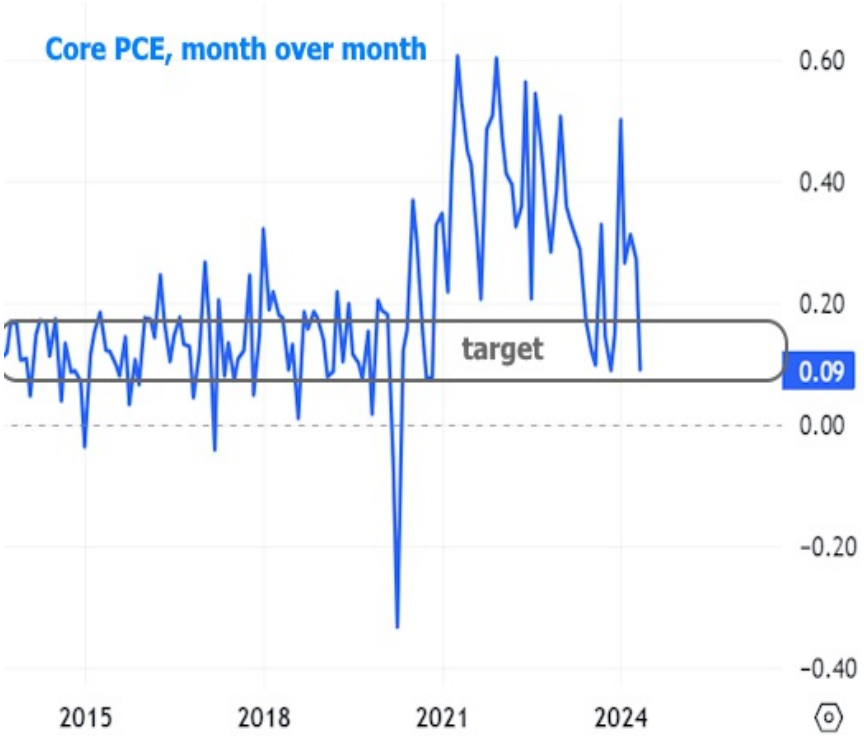



The most eagerly anticipated data was the PCE price index for May. This is a similar measure of inflation to CPI (the Consumer Price Index) that came out 2 weeks ago. Core PCE, which excludes more volatile food and energy prices, was even more favorable for the inflation outlook.

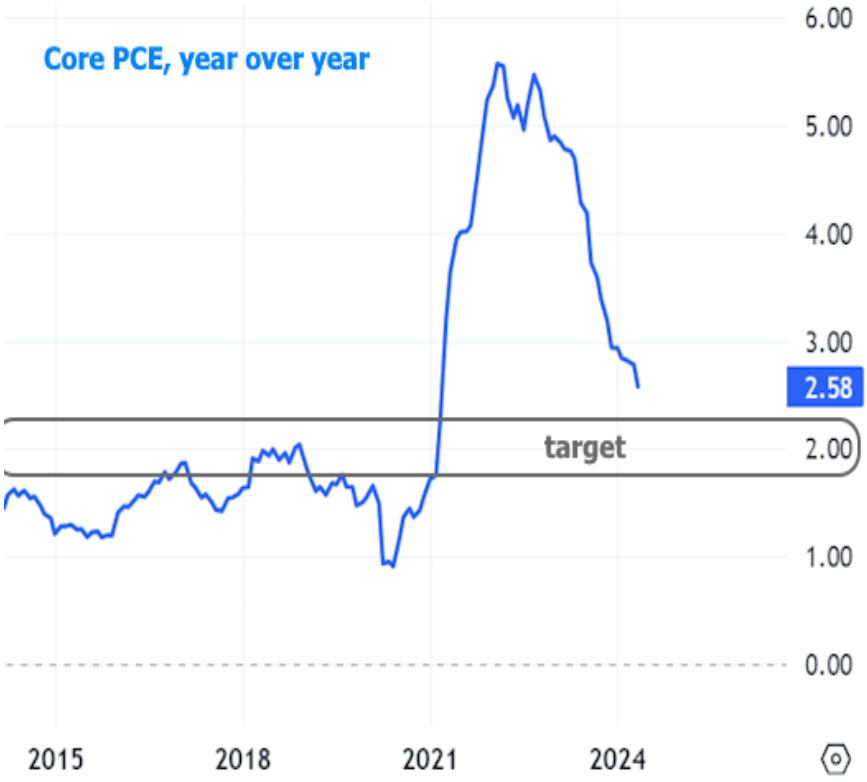
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The chart above may make it seem that inflation has returned to the target level, but success is measured by the year over year numbers hitting 2%. The Fed has indicated it would consider rate cuts when it was more confident about hitting 2%. We're definitely not there yet, but arguably getting closer.




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Friday afternoon saw an abrupt reversal in rates tied to the compulsory trading that often creates volatility at the end of a month/quarter (Friday was both). There is no rhyme or reason to month-end trading when it comes to a typical impact. In other words, it can be good or bad for rates. We don't get to know ahead of time. This time it was bad.

Some rate watchers entertained the notion that the presidential debate had an impact, but while that may have contributed to market volatility, the timing of the volume and volatility makes a strong case for month/quarter-end trading. Simply put, if the debate were the x factor, we would not have expected the market to wait until the times of day typically associated with month-end trading to make the biggest trades.

Up until Friday, we didn't see any notable reactions to economic reports or scheduled events. There was a smattering of housing-related data with limited conclusions to be drawn. Sales of existing homes are still in the historical basement according to the Pending Home Sales Index.




Sales of new homes are also near their recent lows, but remain much higher relative to pre-pandemic levels.

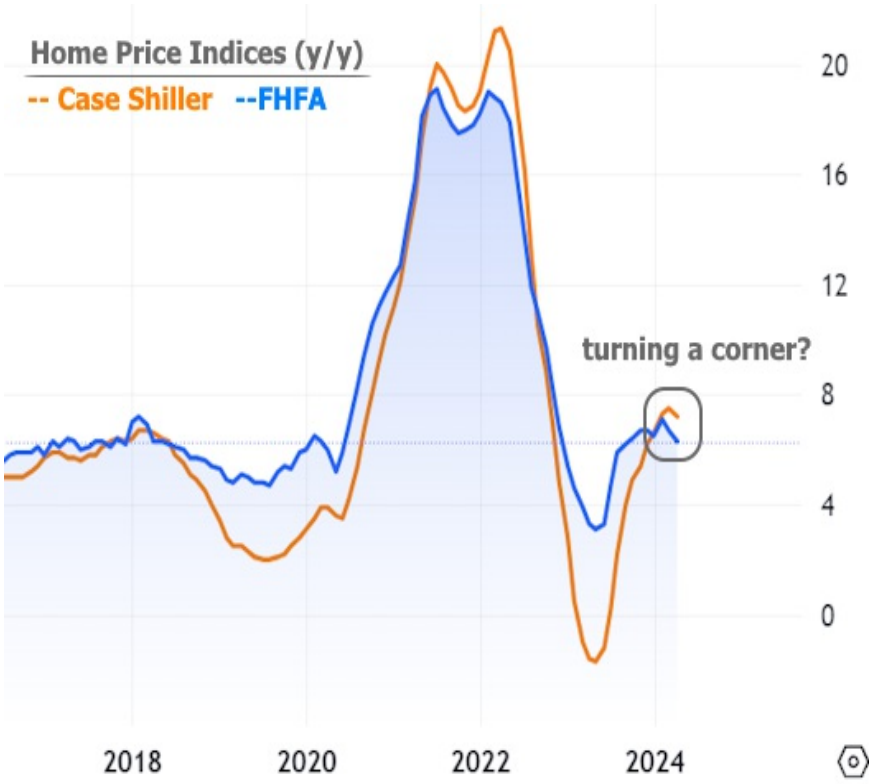
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Home price indices were updated for Case Shiller and FHFA. Unlike the sales data above, which is for the month of May, price indices run a month behind (i.e. this is only through April). Current annual appreciation is still historically high, but increasingly looks like it may have leveled off.




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Looking ahead, next week brings just as much potential volatility--if not more--due to the release of several top tier economic reports. Of those, Friday's big jobs report has the most power to send rates higher or lower. Timing could add to the drama this time as markets are closed on Thursday for the 4th of July.

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## Recent Economic Data

| Date | Event | Actual | Forecast | Prior |
|---|---|---|---|---|
| **Tuesday, Jun 25** | | | | |
| 9:00AM | Apr Case Shiller Home Prices-20 y/y (%) | 7.2% | 6.9% | 7.5% |
| 9:00AM | Apr FHFA Home Prices y/y (%) | 6.3% | | 6.7% |
| **Wednesday, Jun 26** | | | | |
| 7:00AM | Jun/21 MBA Purchase Index | 147.8 | | 146.0 |
| 7:00AM | Jun/21 MBA Refi Index | 552.4 | | 552.7 |
| 10:00AM | May New Home Sales (ml) | 0.619M | 0.64M | 0.634M |
| **Thursday, Jun 27** | | | | |
| 8:30AM | Jun/22 Jobless Claims (k) | 233K | 236K | 238K |
| 8:30AM | Jun/15 Continued Claims (ml) | 1839K | 1820K | 1828K |
| 8:30AM | May Durable goods (%) | 0.1% | -0.1% | 0.7% |
| 8:30AM | Q1 GDP (%) | 1.4% | 1.4% | 3.4% |
| 10:00AM | May Pending Home Sales (%) | -2.1% | 2.5% | -7.7% |
| **Friday, Jun 28** | | | | |
| 8:30AM | May Core PCE Inflation (y/y) (%) | 2.6% | 2.6% | 2.8% |
| 8:30AM | May Core PCE (m/m) (%) | 0.1% | 0.1% | 0.2% |
| 9:45AM | Jun Chicago PMI | 47.4 | 40 | 35.4 |
| 10:00AM | Jun Consumer Sentiment (ip) | 68.2 | 65.8 | 69.1 |
| **Monday, Jul 01** | | | | |
| 10:00AM | Jun ISM Manufacturing PMI | 48.5 | 49.1 | 48.7 |
| 10:00AM | Jun ISM Mfg Prices Paid | 52.1 | 55.9 | 57.0 |
| **Tuesday, Jul 02** | | | | |
| 9:30AM | Fed Chair Powell Speech | | | |
| 10:00AM | May USA JOLTS Job Openings | 8.14M | 7.91M | 8.059M |
| **Wednesday, Jul 03** | | | | |
| 8:15AM | Jun ADP jobs (k) | 150K | 160K | 152K |
| 8:30AM | Jun/29 Jobless Claims (k) | 238K | 235K | 233K |
| 10:00AM | May Factory orders mm (%) | -0.5% | 0.2% | 0.7% |
| 10:00AM | Jun ISM Services Prices | 56.3 | 56.7 | 58.1 |
| 10:00AM | Jun ISM N-Mfg PMI | 48.8 | 52.5 | 53.8 |
| 2:00PM | FOMC Minutes | | | |
| **Friday, Jul 05** | | | | |

## Event Importance:

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

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| Date | Event | Actual | Forecast | Prior |
|---|---|---|---|---|
| 8:30AM | Jun Average earnings mm (%) | 0.3% | 0.3% | 0.4% |
| 8:30AM | Jun Unemployment rate mm (%) | 4.1% | 4% | 4% |
| 8:30AM | Jun Non Farm Payrolls | 206K | 190K | 272K |


## The Lowest Mortgage Rates

For over 20 years, I helped many families and investors get the lowest interest rate with the best terms, and the lowest costs. You can be next - Let me show you how.

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