



**Joe Moore**

Division Manager, CalTAP PLUS - Teacher & Public Employee Home Loan Program

NMLS #333648

1650 Spruce Street, Suite 500 Riverside, CA 92507

Office: 800-310-7577

Mobile: 714-655-0116

[joe@teacherloansdirect.com](mailto:joe@teacherloansdirect.com)

[View My Website](#)

## Inflation Data Keeps Low Rate Hopes Alive

The much-anticipated Consumer Price Index (CPI) was released this week. For those seeking evidence that inflation will soon be back at the Fed's target level, it wasn't the triumph it might have been. Even so, rates managed to move lower.

Mortgage rates and, indeed, most rates are determined by trading levels in the bond market. Bond yields/rates move higher when inflation is high, and the market has been waiting on signs of lower inflation before trading in a way that allows interest rates to move lower.

The Consumer Price Index (CPI) is the biggest name in monthly inflation reports. It's caused big reactions in rates many times over the past few years. In recent months, it's been showing more and more promise regarding a return to inflation levels that would allow for significantly lower rates.

But CPI has given false hope before, so traders are wary. This week's report definitely stopped short of providing resounding confirmation that inflation is defeated. That said, it didn't send any signals that were too troubling either.

With that in mind, it's not too surprising that rates actually didn't move much in response to CPI. If anything, the initial impulse was toward slightly higher rates. It wasn't until the following day's Producer Price Index (PPI) that bond traders saw better evidence of calmer inflation. Both CPI and PPI have been moving lower, but PPI is now all the way back down to target levels.

## National Average Mortgage Rates



|  | Rate | Change | Points |
|--|------|--------|--------|
|--|------|--------|--------|

### Mortgage News Daily

|              |       |       |      |
|--------------|-------|-------|------|
| 30 Yr. Fixed | 7.09% | +0.07 | 0.00 |
| 15 Yr. Fixed | 6.56% | +0.03 | 0.00 |
| 30 Yr. FHA   | 6.62% | +0.07 | 0.00 |
| 30 Yr. Jumbo | 7.35% | +0.04 | 0.00 |
| 5/1 ARM      | 7.30% | +0.06 | 0.00 |

### Freddie Mac

|              |       |       |      |
|--------------|-------|-------|------|
| 30 Yr. Fixed | 7.02% | -0.42 | 0.00 |
| 15 Yr. Fixed | 6.28% | -0.48 | 0.00 |

Rates as of: 5/17

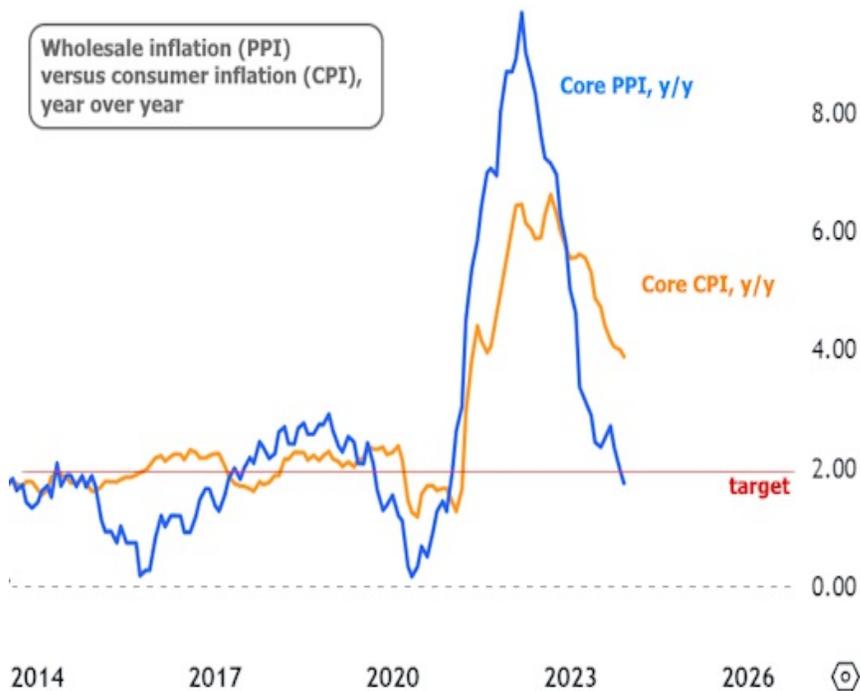
## Market Data

|                | Price / Yield | Change  |
|----------------|---------------|---------|
| MBS UMBS 6.0   | 100.40        | -0.15   |
| MBS GNMA 6.0   | 100.78        | +0.04   |
| 10 YR Treasury | 4.4223        | +0.0454 |
| 30 YR Treasury | 4.5610        | +0.0549 |

Pricing as of: 5/17 5:59PM EST

## Recent Housing Data

|                     | Value        | Change  |
|---------------------|--------------|---------|
| Mortgage Apps       | May 15 198.1 | +0.51%  |
| 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%  |



The following chart shows how 10yr Treasury yields (which tend to correlation with mortgage rate movement) were reacting throughout the week:

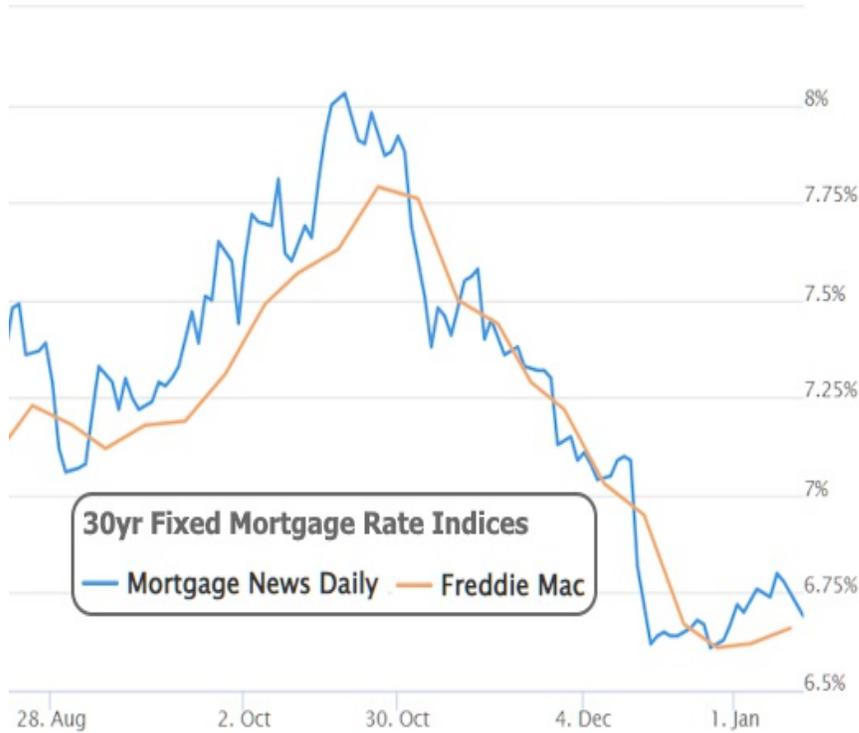


Note the initially bad reaction to CPI. There was a recovery that same afternoon for a variety of potential reasons. At least one of those reasons had to do with speculation that the Fed is still on track to deliver a series of rate cuts this year in addition to making rate-friendly changes to the way it's managing its bond portfolio. Fed policy expectations are even easier to see when we look at actual Fed Funds Rate expectations which are now at the lowest levels since July.

**Fed Funds Rate Expectations, end of 2024  
(based on Fed Funds Futures)**



Mortgage rates don't correlate perfectly with Fed Funds Rate expectations (one reason we often advise that a Fed rate cut/hike doesn't mean a mortgage rate cut/hike). As such, they're not back below the recent lows, but they definitely haven't moved much higher. This week's gentle descent means we're continuing to hold a vast majority of the improvement seen in Nov/Dec.



Looking ahead, while next week doesn't have any economic data on the same level as CPI, Wednesday's Retail Sales report can definitely move the needle. It's expected to improve slightly to 0.4% month over month after hitting 0.3% last time.

Beyond the data, we'll hear from several Fed speakers and there's been some speculation that Waller's appearance at the Brookings Institute will bring some important concepts regarding the precursors for friendlier rate policy in 2024. That will happen on Tuesday, which is the first business day of the week next week due to the Martin Luther King Jr. holiday.

While not as much of a factor for interest rates, we'll also get updates on several key housing metrics including new home construction, builder confidence, and Existing Home Sales.

Subscribe to my newsletter online at: <http://housingnewsletters.com/caltapplus>

**Recent Economic Data**

| Date                     | Event                            | Actual   | Forecast | Prior   |
|--------------------------|----------------------------------|----------|----------|---------|
| <b>Monday, Jan 08</b>    |                                  |          |          |         |
| 3:00PM                   | Nov Consumer credit (bl)         | \$23.75B | \$9B     | \$5.13B |
| <b>Tuesday, Jan 09</b>   |                                  |          |          |         |
| 6:00AM                   | Dec NFIB Business Optimism Index | 91.9     | 90.7     | 90.6    |
| 10:05AM                  | Jan IBD economic optimism        | 44.7     | 42       | 40      |
| <b>Wednesday, Jan 10</b> |                                  |          |          |         |
| 7:00AM                   | Jan/05 MBA Refi Index            | 425.4    |          | 358.2   |
| 7:00AM                   | Jan/05 MBA Purchase Index        | 148.6    |          | 140.7   |
| 10:00AM                  | Nov Wholesale inventories mm (%) | -0.2%    | -0.2%    | -0.4%   |
| <b>Thursday, Jan 11</b>  |                                  |          |          |         |

**Event Importance:**

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

| Date                     | Event                             | Actual | Forecast | Prior  |
|--------------------------|-----------------------------------|--------|----------|--------|
| 8:30AM                   | Dec y/y CORE CPI (%)              | 3.9%   | 3.8%     | 4%     |
| 8:30AM                   | Dec m/m CORE CPI (%)              | 0.3%   | 0.3%     | 0.3%   |
| 8:30AM                   | Jan/06 Jobless Claims (k)         | 202K   | 210K     | 202K   |
| <b>Friday, Jan 12</b>    |                                   |        |          |        |
| 8:30AM                   | Dec Core Producer Prices MM (%)   | 0%     | 0.2%     | 0%     |
| 8:30AM                   | Dec Core Producer Prices YY (%)   | 1.8%   | 1.9%     | 2%     |
| <b>Tuesday, Jan 16</b>   |                                   |        |          |        |
| 8:30AM                   | Jan NY Fed Manufacturing          | -43.7  | -5       | -14.5  |
| <b>Wednesday, Jan 17</b> |                                   |        |          |        |
| 8:30AM                   | Dec Retail Sales (%)              | 0.6%   | 0.4%     | 0.3%   |
| 9:15AM                   | Dec Industrial Production (%)     | 0.1%   | 0%       | 0.2%   |
| 10:00AM                  | Jan NAHB housing market indx      | 44     | 39       | 37     |
| 10:00AM                  | Nov Business Inventories (%)      |        |          | -0.1%  |
| <b>Thursday, Jan 18</b>  |                                   |        |          |        |
| 8:30AM                   | Dec Building permits: number (ml) | 1.495M | 1.48M    | 1.467M |
| 8:30AM                   | Jan Philly Fed Business Index     | -10.6  | -7       | -10.5  |
| 8:30AM                   | Jan/13 Jobless Claims (k)         | 187K   | 207K     | 202K   |
| 8:30AM                   | Dec Housing starts number mm (ml) | 1.46M  | 1.426M   | 1.56M  |
| <b>Friday, Jan 19</b>    |                                   |        |          |        |
| 10:00AM                  | Jan Consumer Sentiment (ip)       | 78.8   | 70       | 69.7   |
| 10:00AM                  | Dec Existing home sales (ml)      | 3.78M  | 3.82M    | 3.82M  |

## Your Nationwide Teacher And Public Employee Lender

Our Teacher & Public Employee Home Loan Programs, CalTAP+ and TAP+ USA are more than just a mortgage loan and Secure Choice Lending is more than just another mortgage lender.

We help teachers, police officers, firefighter's, military veterans, and other public employees develop a financial plan to purchase a home and realize the American Dream of Homeownership!

Teacher & Public Employee Rewards Benefits:

- \* No Lender (or) Processing Fees Charged Ever!
- \* Free Float Down if Rates Improve after LOCK!
- \* MATCH (or) BEAT Rate & Pricing Guarantee!

If you are ready to buy your next home, refinance or obtain a home equity line of credit, please give me a call (or) apply online with confidence that you will receive the "BEST" interest rate, pricing and overall customer experience with Secure Choice Lending!

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