



Mike Baker

Head Interest Rate Shopper, The Rate Shop
 Individual NMLS: 259076 Company NMLS: 2554765 State
 23211 W 45th St Shawnee, KS 66226

Office: 913-213-3335
 Mobile: 913-213-3335
mike@rateshopkc.com
[View My Website](#)

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



Rate Change Points

Mortgage News Daily

30 Yr. Fixed	7.07%	+0.02	0.00
15 Yr. Fixed	6.45%	0.00	0.00
30 Yr. FHA	6.51%	+0.02	0.00
30 Yr. Jumbo	7.26%	0.00	0.00
5/1 ARM	7.02%	-0.01	0.00

Freddie Mac

30 Yr. Fixed	6.86%	-0.01	0.00
15 Yr. Fixed	6.16%	+0.03	0.00

Rates as of: 6/28

Market Data

	Price / Yield	Change
MBS UMBS 5.5	98.49	-0.45
MBS GNMA 5.5	99.10	-0.44
10 YR Treasury	4.3980	+0.1111
30 YR Treasury	4.5640	+0.1383

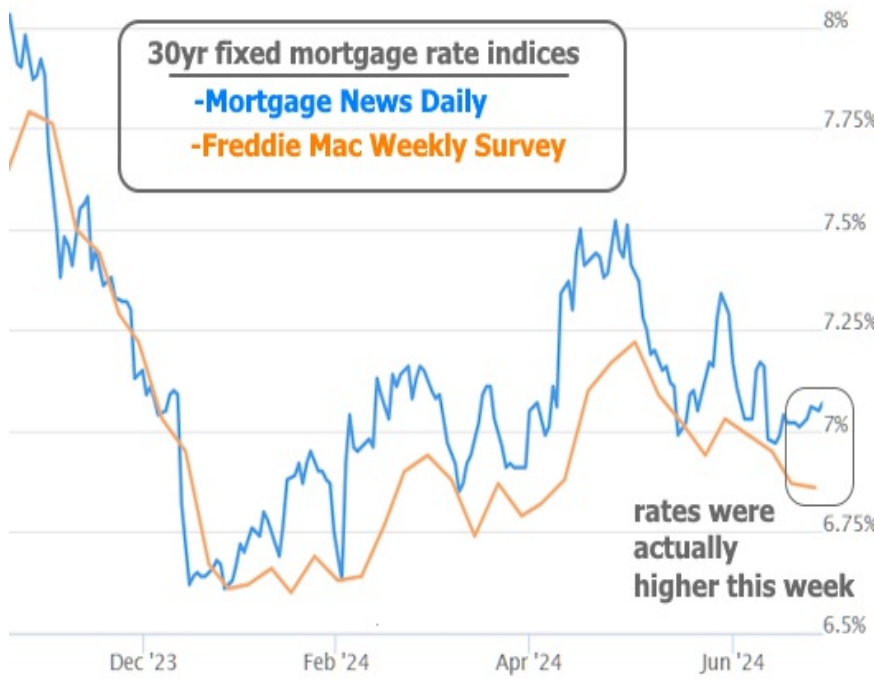
Pricing as of: 6/28 5:59PM EST

Recent Housing Data

	Value	Change
Mortgage Apps	Jun 12 208.5	+15.58%
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%



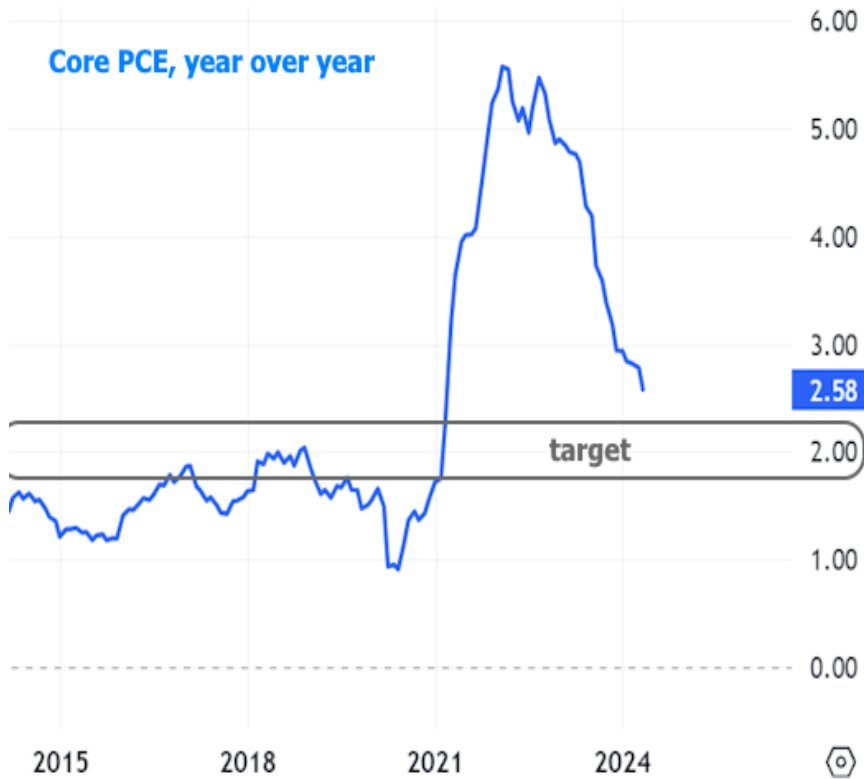
Incidentally, the fact that this week's rate spike occurred at the end of the week means that Freddie Mac's weekly mortgage rate index missed detecting the shift. More timely daily data shows average mortgage rates trending slightly higher this week as opposed to lower.



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.



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.



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.

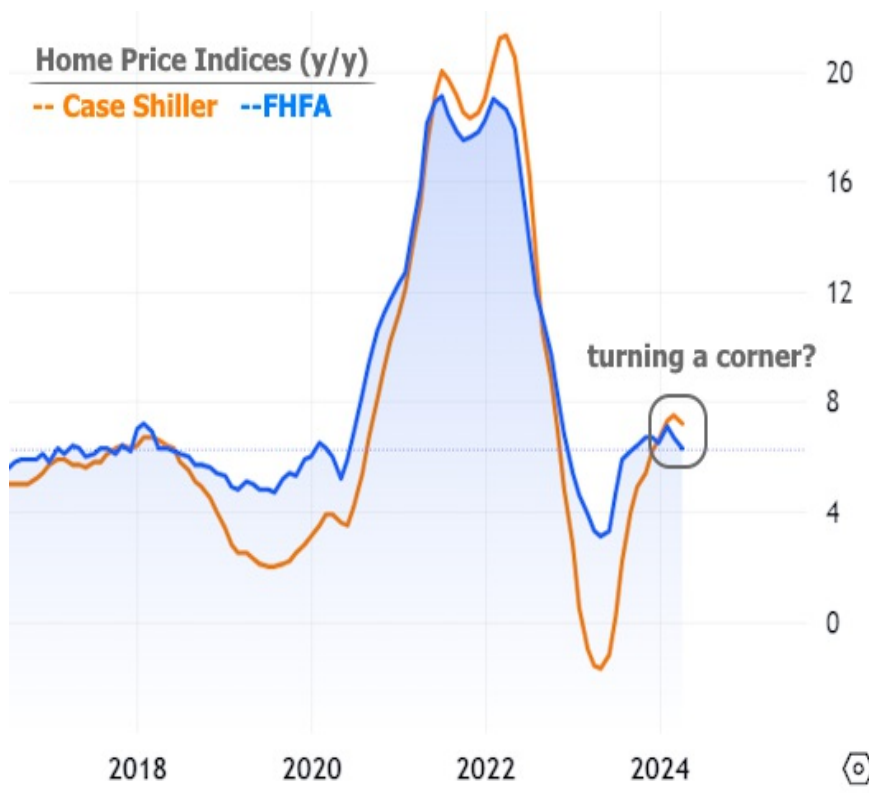
Pending Home Sales



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



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.



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

Event Importance:

No Stars = Insignificant

☆ Low

★ Moderate

★★ Important

★★★ Very Important

Upcoming Economic Data

Date	Event	Forecast	Prior
Monday, Jul 01			
10:00AM	Jun ISM Manufacturing PMI ★★★	49	48.7
10:00AM	Jun ISM Mfg Prices Paid ★	55.9	57.0
Tuesday, Jul 02			
9:30AM	Fed Chair Powell Speech ★★★		
10:00AM	May USA JOLTS Job Openings ★	7.85M	8.059M
Wednesday, Jul 03			
8:15AM	Jun ADP jobs (k) ☆	170K	152K
8:30AM	Jun/29 Jobless Claims (k) ☆	235K	233K
10:00AM	May Factory orders mm (%)	0.3%	0.7%
10:00AM	Jun ISM Services Prices		58.1

Date	Event	Forecast	Prior
10:00AM	Jun ISM N-Mfg PMI ★★	52.5	53.8
2:00PM	FOMC Minutes ★★		
Friday, Jul 05			
8:30AM	Jun Average earnings mm (%) ★	0.3%	0.4%
8:30AM	Jun Unemployment rate mm (%) ★★	4%	4%
8:30AM	Jun Non Farm Payrolls ★★	180K	272K

Real Talk

At The Rate Shop, we're not your average mortgage banker. We specialize in bringing you ridiculously low interest rates that will make you wonder what the other guys are doing. In fact the ONLY objection we ever hear is "your rates sound too good to be true". Well they're not, and here is why...

After 15 years in the retail banking world I was frustrated with the high interest rates that came from that business model. As I looked around at all the bloated layers of management and their expensive salaries and the overhead of running a larger company (think rent costs, employee health and benefit costs, payroll taxes, and on and on) it dawned on me that I was a part of the problem, and the solution, for me at least, was so easy to see.

Start my own mortgage brokerage shop. No expensive executive salaries, no expensive building to pay rent at, no unnecessary employees and all the costs that are associated with that. What happens when you cut out all the fat? You can provide lower rates and lower closing costs. It's simple. Now here is the best part, you still get great service from a local Kansas City Lender. My mission is to let everyone know that low rates and great customer service are NOT mutually exclusive.

Thanks for coming along on this journey where Low Rates meet Great Service. The two do NOT have to be mutually exclusive. It's just a lie that the big box mortgage companies have been telling you for years. Don't believe me? Give me a call or shoot me a text on my personal cell phone today and compare my rates and costs up against any other lender in the country, and be prepared to be blown away.

Mike Baker

