



**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](mailto:mike@rateshopkc.com)  
[View My Website](#)

## Don't Trust This Week's Mortgage Rate Headlines! (Except This One)

Without a shadow of a doubt, the average lender's mortgage rates are noticeably higher this week versus last week, with Friday being the worst of the bunch. Despite that fact, there were multiple news stories this week regarding a massive DROP in rates. What's up with that?

Before we continue, you may wonder who you can trust if you're getting two entirely different stories. Thankfully, you can trust both stories! The one about **lower** rates simply needs some qualification.

This week's misleading headlines are invariably a result of Freddie Mac's weekly mortgage rate survey. This is the longest-running and one of the most highly regarded records of interest rate movement over time. A majority of news organizations rely on it as the primary source for their once-a-week coverage of rates.

During more normal times, this strategy is good enough. The mainstream consumer of financial news doesn't particularly need a new update on rates every day (unless they're home shopping). And Freddie's data does a great job of capturing the broad, long-term trends in rates.

Unfortunately, it does a **terrible** job of capturing rate changes when bonds are experiencing high volatility, especially if that volatility occurs during the last 3 days of the week.

Here's why (in 2 levels of detail):

**The most basic level:** Freddie reports its survey results on Thursday, but collects most responses on Mon/Tue. This means news outlets are really reporting a Mon/Tue rate versus last week's Mon/Tue rate. If there's big rate movement on Wed-Fri, the headlines may suggest rates made a big move in one direction when they actually did the opposite.

**The more detailed level (skip to "MBS Prices" if you're satisfied with the basic level):** Freddie sends the survey out on Monday morning, and receives a majority of responses within 24 hours. It continues to accept responses through Wednesday although daily rate data suggests Wednesdays have almost no impact on the result. Results are not published until Thursday morning.

## National Average Mortgage Rates



	Rate	Change	Points
<b>Mortgage News Daily</b>			
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

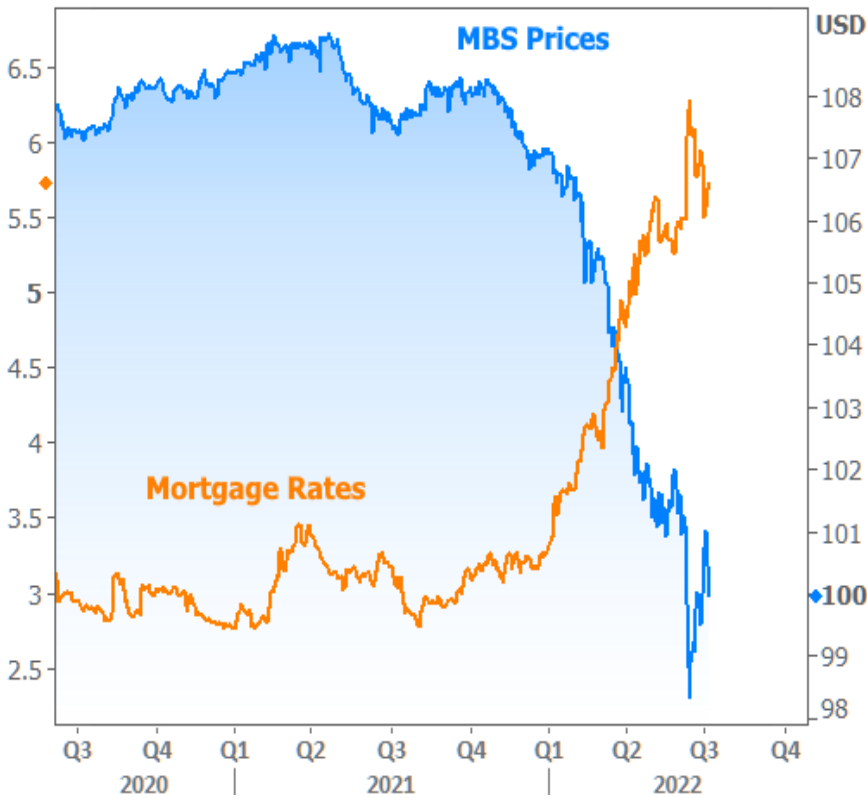
		Value	Change
Mortgage Apps	Jun 12	208.5	+15.58%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%
Builder Confidence	Mar	51	+6.25%

This creates an obvious problem: by the time rates are reported on Thursday, they may significantly higher or lower than they were at the beginning of the week. The problem is compounded with the previous week saw volatility in the other direction.

For instance, if last week's rates were high on Mon/Tue, then plummeted on Wed/Thu, the Freddie survey would record a result that is far too high. Then in the present week, if rates were simply **unchanged** at the beginning of the week, Freddie's survey would show a big **drop** from the previous week. From there, if rates spiked again, by Thursday, rates could be significantly **higher** than they were on the previous Thursday. At the exact same time, hundreds of news organizations and social media posts would be blasting out headlines about "**much lower rates.**"

**MBS Prices**

Mortgage rates, as offered by mortgage lenders, tend to only be updated 1-3 times per day, depending on market volatility. But the bonds that determine mortgage rates (mortgage-backed securities or "MBS") move **constantly**. Charting that movement shows us the real-time forces affecting rates. The only catch is that MBS prices move inversely from rates. For example:



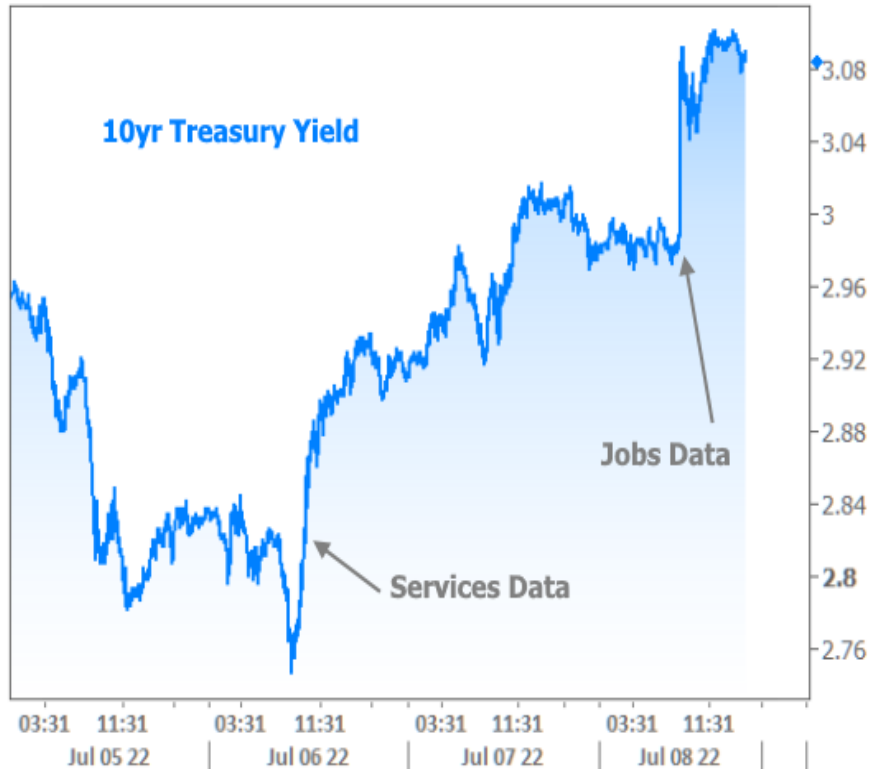
With that in mind, let's drill down on MBS price movement over the past few weeks to uncover the big issue with Freddie's rate survey.



**Bottom line on mortgage rates:** the timing of the past 2 Freddie surveys was as bad as it could have been with respect to painting a misleading picture of reality. It resulted in headlines proclaiming a near-record weekly drop in mortgage rates on Thursday--the same day that rates were already noticeably higher than most of the previous week.

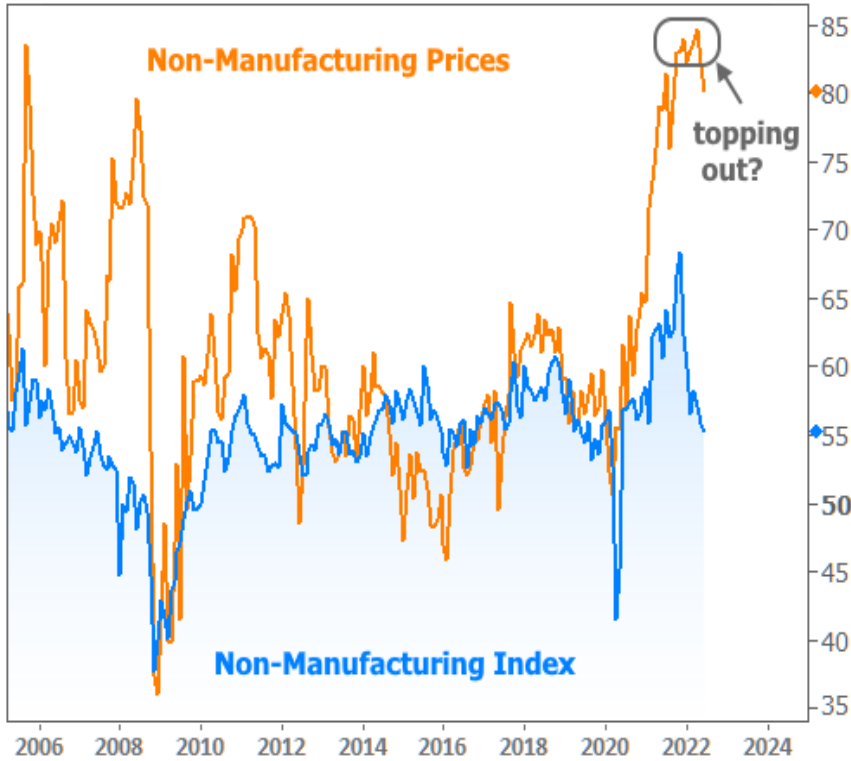
**In this week's other economic news,** we can see some of the data responsible for the upward pressure on rates. In general rates move higher when economic data is stronger than expected (with expectations based on economists' forecasts).

There were two big ticket economic reports this week: Wednesday's report on the health of the services sector and Friday's official jobs data. Both were stronger than expected. The following chart shows 10yr Treasury yields, which correlate well with mortgage rates.



While these reactions were clear enough, next Wednesday brings the potential for a **much bigger** reaction. That's when the next installment of the monthly Consumer Price Index (CPI) is released. Whereas the jobs report is traditionally the most important economic report for rates, CPI is currently far more important because it is the most widely-followed inflation index in the US (and inflation is the driving force behind the massive rate spike in 2022).

Markets are going into next Wednesday with an open mind. CPI is the biggest game in town, but it's not the only game. To use a timely example, the services sector data mentioned above (technically the ISM Non-Manufacturing Index) also has a "prices paid" component. This is one of many ways market participants follow price trends. Clearly, prices are still very high, but like several other economic reports, the trend suggests a potential shift.



All that to say that investors aren't heading into the big CPI data with an agenda to push rates higher or lower. The market is nimble at current levels and should react in a relatively logical manner. Specifically, a big drop in inflation would almost certainly push rates lower, while a marked increase could easily send us back up to the recent highs.

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

**Recent Economic Data**

Date	Event	Actual	Forecast	Prior
<b>Tuesday, Jul 05</b>				
10:00AM	May Factory orders mm (%)	1.6	0.5	0.3
<b>Wednesday, Jul 06</b>				
7:00AM	w/e MBA Refi Index	670.3		726.1
7:00AM	w/e MBA Purchase Index	232.6		243.1
10:00AM	Jun ISM N-Mfg PMI	55.3	54.3	55.9
2:00PM	Fed Meeting Minutes			
<b>Thursday, Jul 07</b>				
8:30AM	w/e Jobless Claims (k)	235	230	231
<b>Friday, Jul 08</b>				
8:30AM	Jun Average earnings mm (%)	0.3	0.3	0.3
8:30AM	Jun Non-farm payrolls (k)	372	268	390
8:30AM	Jun Unemployment rate mm (%)	3.6	3.6	3.6
3:00PM	May Consumer credit (bl)	+22.35	31.90	38.07

**Event Importance:**

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

Date	Event	Actual	Forecast	Prior
<b>Monday, Jul 11</b>				
1:00PM	3-Yr Note Auction (bl)	43		
<b>Tuesday, Jul 12</b>				
1:00PM	10-yr Note Auction (bl)	33		
<b>Wednesday, Jul 13</b>				
7:00AM	w/e MBA Purchase Index	224.3		232.6
7:00AM	w/e MBA Refi Index	685.3		670.3
8:30AM	Jun Consumer Price Index (CPI) (%)	1.3	1.1	1.0
8:30AM	Jun Core CPI (Annual) (%)	5.9	5.7	6.0
1:00PM	30-Yr Bond Auction (bl)	19		
<b>Thursday, Jul 14</b>				
8:30AM	Jun Producer Prices (%)	1.1	0.8	0.8
8:30AM	Jun Core Producer Prices YY (%)	8.2	8.1	8.3
8:30AM	w/e Jobless Claims (k)	244	235	235
<b>Friday, Jul 15</b>				
8:30AM	Jun Retail Sales (%)	1.0	0.8	-0.3
8:30AM	Jun Import prices mm (%)	0.2	0.7	0.6
8:30AM	Jul NY Fed Manufacturing	11.10	-2.00	-1.20
9:15AM	Jun Industrial Production (%)	-0.2	0.1	0.2
10:00AM	Jul 5yr Inflation Outlook (%)	2.8		3.1
10:00AM	Jul 1yr Inflation Outlook (%)	5.2		5.3
10:00AM	Jul Consumer Sentiment	51.1	49.9	50.0

## 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**

