



Mike Baker

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

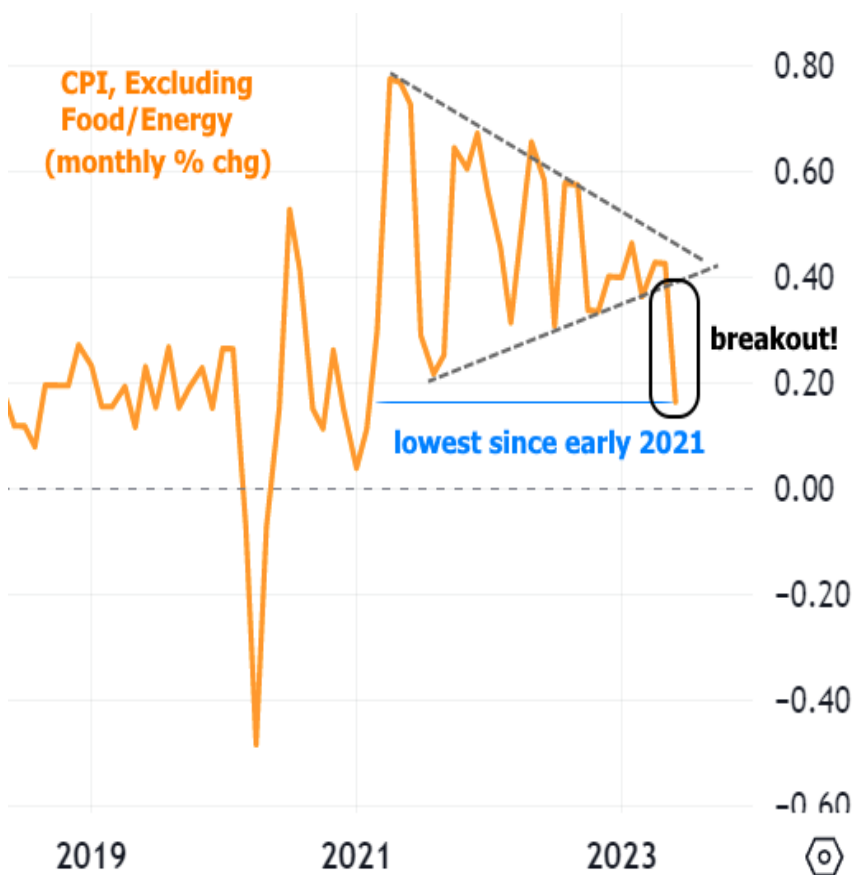
Office: 913-213-3335
 Mobile: 913-213-3335
mike@rateshopkc.com
[View My Website](#)

Rates Recover Rapidly After Inflation Data

Mortgage rates spiked abruptly last week after several economic reports showed the economy doing better than expected. Now this week, key inflation data showed prices falling faster than expected. Rates responded with a full recovery.

If rates could only choose one thing to be afraid of, it would be inflation. Rates are based on bonds. Bonds offer investors a fixed schedule of cash flow. Over time, inflation can make that cash buy much less "stuff" than it did at first. Investors compensate by demanding higher rates of return, and that is essentially the short version of the great post-covid rate spike.

Up until this week, the most closely-watched inflation metric had been consolidating in an increasingly narrow, sideways pattern, but still at elevated levels. While it's only one month of data, this is the promising breakout that fans of low rates have been hoping to see. In one fell swoop, the monthly pace of inflation is back at the lowest levels since early 2021.



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

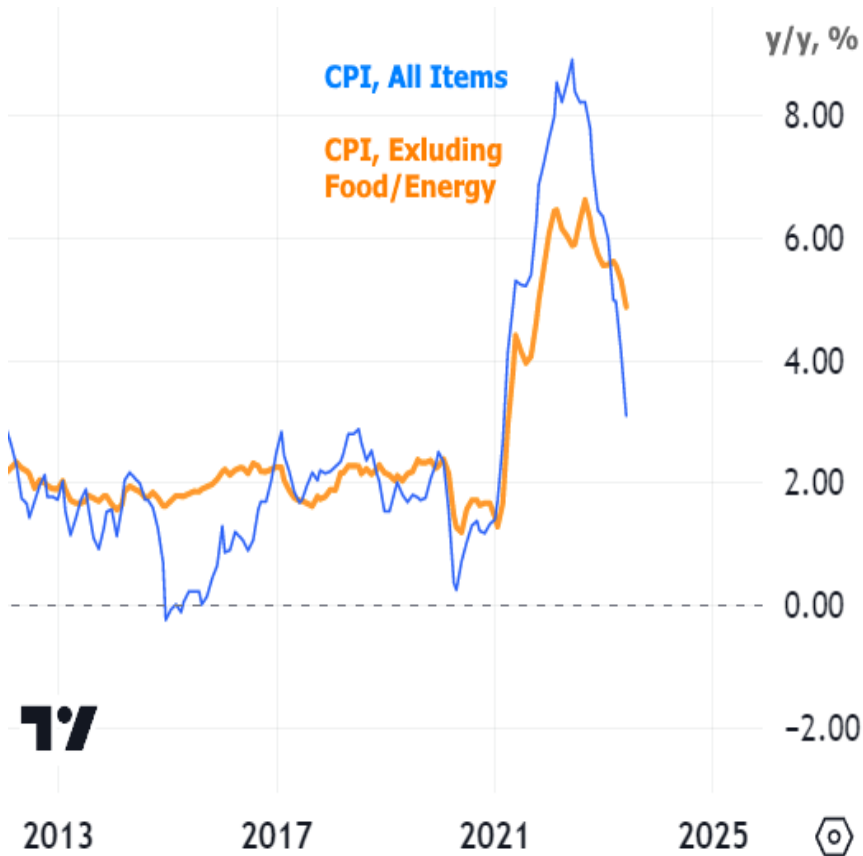
	Price / Yield	Change
MBS UMBS 5.5	98.49	-0.45
MBS GNMA 5.5	99.10	-0.44
10 YR Treasury	4.3980	+0.1111
30 YR Treasury	4.5640	+0.1383

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%

Year-over-year inflation is also looking good, especially when energy and food prices are factored into the mix (blue line below):

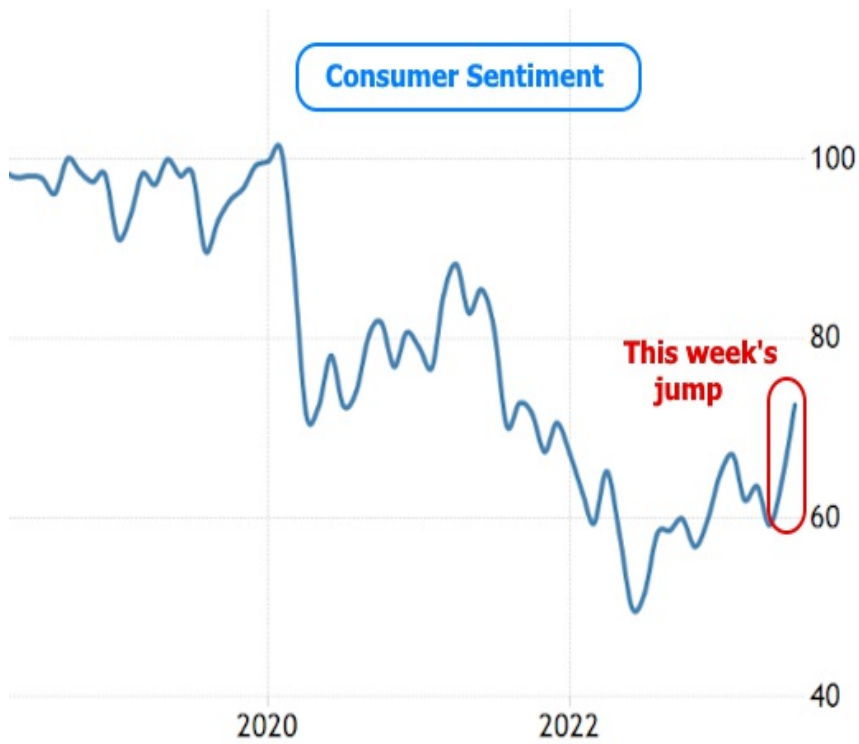


The chart above illustrates the predicament for policymakers. The Fed sets short term rates in an attempt to constrain the economy and push inflation back to an annual pace of 2%. They focus on core inflation (orange line). As seen in the chart, we're still quite a ways from 2%, and it will take another year of reports like the one we just saw before we're back in that range. So the Fed has to decide if the current level of the Fed Funds Rate is enough to get us there with certainty.

On that note, the market expects the Fed to hike at least one more time in 2 weeks, but then to be even more heavily dependent on economic data. Looking ahead to the market expectations for the December Fed meeting, we can already see the Consumer Sentiment data push back against the positive impact from CPI.

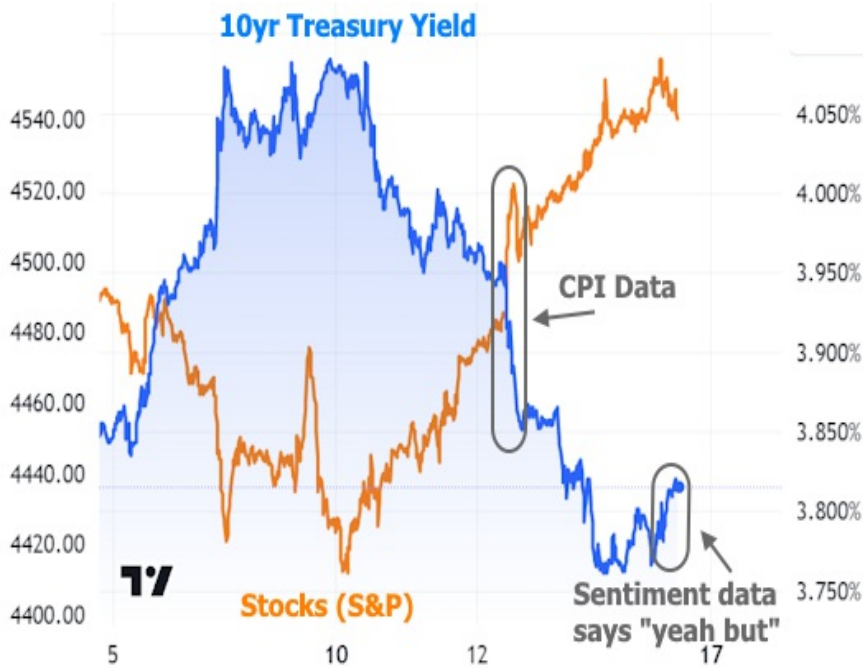


Consumer Sentiment normally doesn't compete with CPI when it comes to impacting rates, but this week's report was very strong.



TRADINGECONOMICS.COM | UNIVERSITY OF MICHIGAN

Longer term rates like 10yr Treasury yields followed a similar path to the Fed's rate hike outlook this week, but they were more interested in the inflation data and less sensitive to the "yeah but" offered by the Consumer Sentiment data. Stocks were also more focused on CPI (and its implications for a friendlier Fed... a rising tide that tends to help stocks and bonds simultaneously).



In the bigger picture, yields are still very much in a holding pattern, but have notably made it back below the 3.84% level that had acted as a consistent ceiling up until last week.



Speaking of last week, the rate spike resulted in the Freddie Mac mortgage rate index jumping much higher this week, but don't be alarmed. Freddie takes an average of the trailing 5 days. In terms of actual daily averages, rates fell sharply during the first four days of the week, and avoided losing too much ground on Friday.



Looking ahead, we're in a bit of a summertime lull next week with none of the massively important economic reports seen over the past 2 weeks. It will also be the "blackout period" for the Fed. That refers to the 12 days leading up to a Fed announcement where Fed speakers abstain from commenting on policy. As such, the market sometimes speculates a bit more than it otherwise would about what the Fed is thinking, but that's typically a bigger risk when the blackout period coincides with highly consequential data. Either way, this week's gains are merely a start. It will take several more weeks--if not months--of economic data to conclusively shift rate momentum in a friendly direction.

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

Recent Economic Data

Date	Event	Actual	Forecast	Prior
Monday, Jul 10				
3:00PM	May Consumer credit (bl)	\$7.24B	\$20.25B	\$20.32B
Tuesday, Jul 11				
6:00AM	Jun NFIB Business Optimism Index	91	89.9	89.4
Wednesday, Jul 12				
7:00AM	Jul/07 MBA Refi Index	416		421.3

Event Importance:

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

Date	Event	Actual	Forecast	Prior
7:00AM	Jul/07 MBA Purchase Index	165.3		162.4
8:30AM	Jun m/m Headline CPI (%)	0.2%	0.3%	0.1%
8:30AM	Jun y/y Headline CPI (%)	3%	3.1%	4%
8:30AM	Jun y/y CORE CPI (%)	4.8%	5%	5.3%
8:30AM	Jun m/m CORE CPI (%)	0.2%	0.3%	0.4%
Thursday, Jul 13				
8:30AM	Jul/08 Jobless Claims (k)	237K	250K	249K
8:30AM	Jun Core Producer Prices MM (%)	0.1%	0.2%	0.1%
8:30AM	Jun Core Producer Prices YY (%)	2.4%	2.6%	2.6%
Friday, Jul 14				
10:00AM	Jul Consumer Sentiment (ip)	72.6	65.5	64.4
Monday, Jul 17				
8:30AM	Jul NY Fed Manufacturing	1.1	-4.3	6.6
Tuesday, Jul 18				
8:30AM	Jun Retail Sales (%)	0.2%	0.5%	0.5%
9:15AM	Jun Industrial Production (%)	-0.5%	0%	-0.5%
10:00AM	May Business Inventories (%)	0.2%	0.2%	0.1%
10:00AM	Jul NAHB housing market indx	56	56	55
Wednesday, Jul 19				
7:00AM	Jul/14 MBA Refi Index	446.4		416
7:00AM	Jul/14 MBA Purchase Index	163.2		165.3
8:30AM	Jun Housing starts number mm (ml)	1.434M	1.48M	1.559M
8:30AM	Jun Building permits: number (ml)	1.44M	1.49M	1.496M
8:30AM	Jun House starts mm: change (%)	-8%		15.7%
8:30AM	Jun Build permits: change mm (%)	-3.7%		5.6%
Thursday, Jul 20				
8:30AM	Jul/15 Jobless Claims (k)	228K	242K	237K
8:30AM	Jul Philly Fed Business Index	-13.5	-10	-13.7
10:00AM	Jun Existing home sales (ml)	4.16M	4.2M	4.3M
10:00AM	Jun Exist. home sales % chg (%)	-3.3%		0.2%

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

