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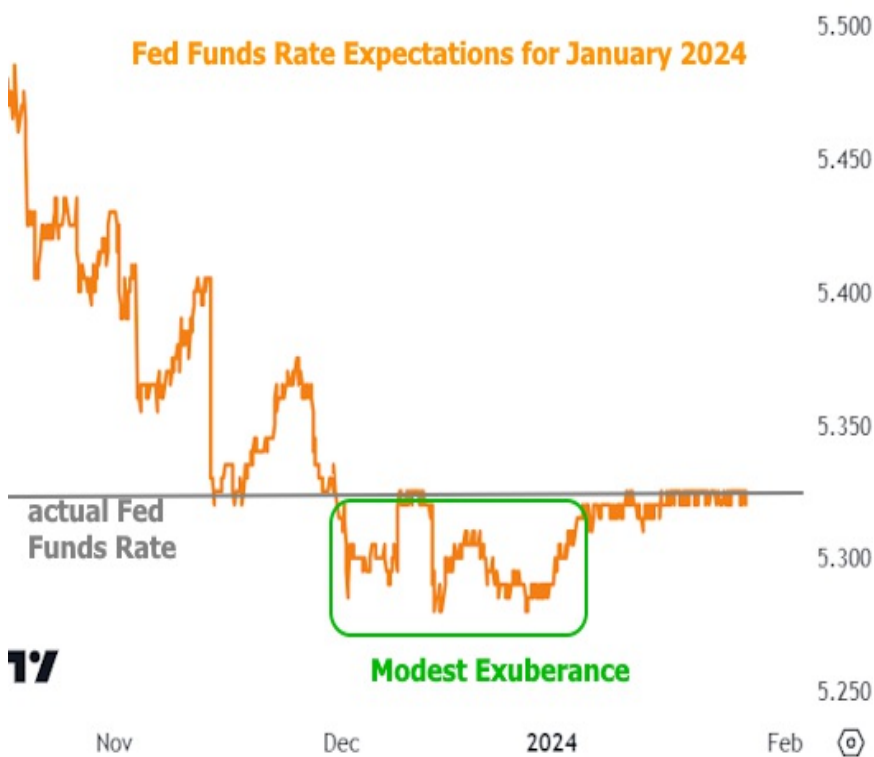
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What's At Stake With The Upcoming Fed Meeting?

Over the past 2 months, speculation ramped up quickly regarding the pace and magnitude of Fed rate cuts in 2024. Next week brings the first Fed meeting that's in the realm of that speculation.

Some pundits went so far as to mention a chance of a rate cut as early as the January meeting. Could that happen and what would the implications be of rate cuts in general?

First off, the market doesn't really believe this will happen. There were a few days where some of the trades in Fed Funds Futures suggested an outside possibility of a January rate cut, but that has since been priced out of the market.



There has certainly been a shift in the market's assessment of the Fed's stance. It took place with strong momentum in November and December. The Fed itself added to the momentum with the rate-friendly announcement on December 13th.

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

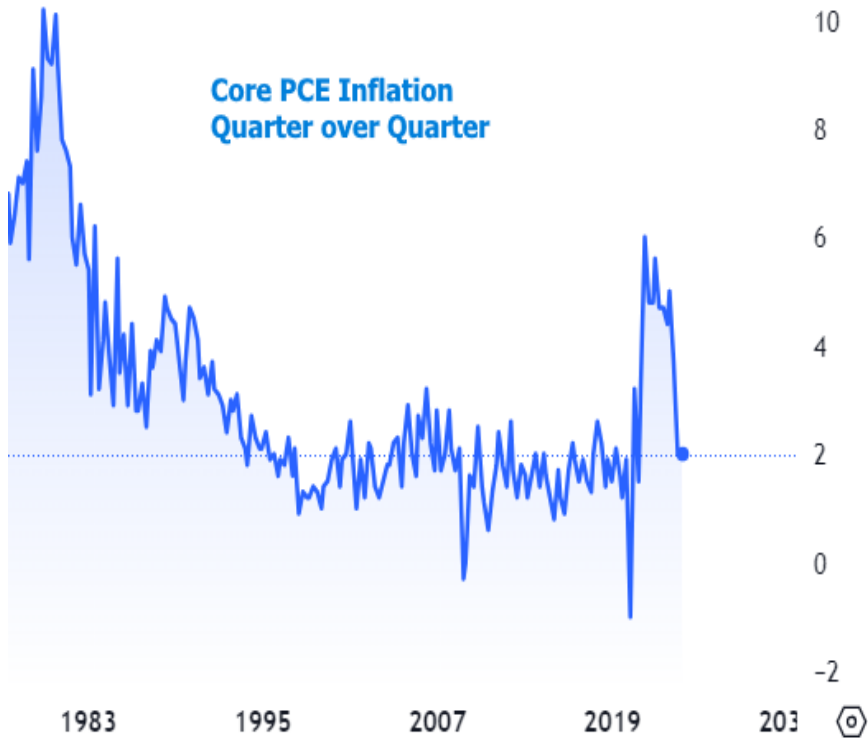
Pricing as of: 6/28 5:59PM EST

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%

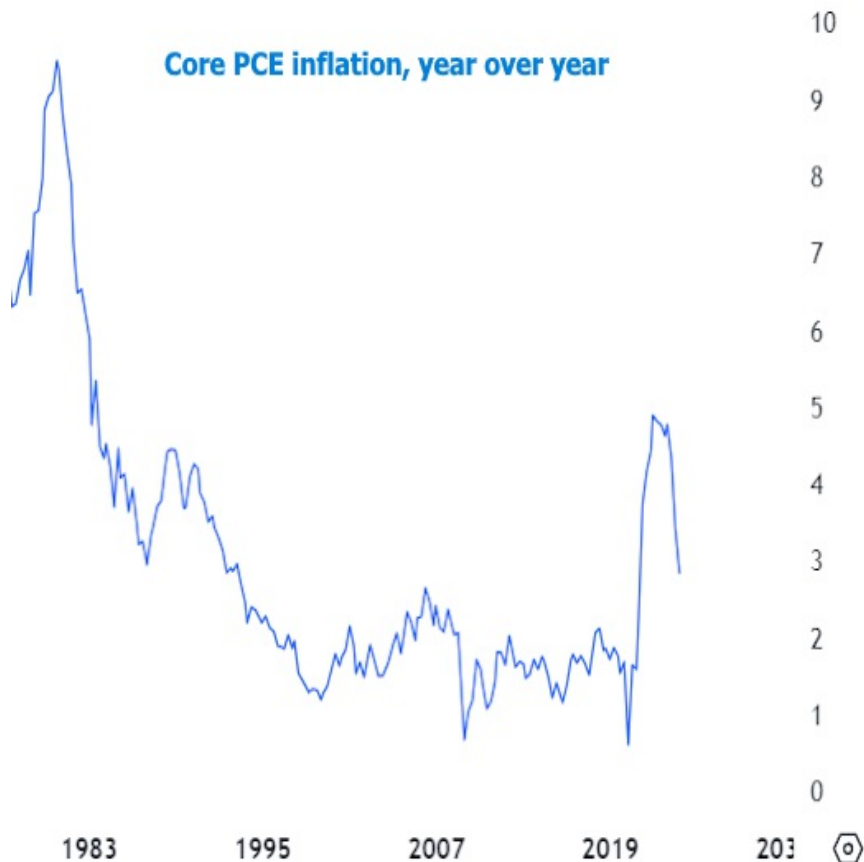
Since then, however, we have not seen the sort of economic data necessary to fulfill the conditions of a Fed rate cut cycle. This isn't to say it can't happen in 2024--only that it's too soon to debate. At the very least, we know we haven't met those conditions yet.

But what about core inflation returning to 2%? After all, that's the Fed target and this week's GDP data did show core PCE at 2% quarter-over-quarter.



This is not an optical illusion, but it's important to understand the 2% inflation target is an annual metric. The chart above shows lots of promise based on Q4 of 2023. Now we need to make sure 2% inflation sticks around so the annual chart can align with the quarterly chart.

Core PCE inflation, year over year



While it's no longer necessarily a top priority, the Fed would also not mind seeing some more slack in the labor market and some other signs of economic weakness to bolster the case for further disinflation. If the economy is too strong, they need to wonder if inflation might pick back up.

To that end, next week's jobs report will be a big potential source of volatility, as always, but even before then, there are several other pieces of data that could cause volatility. Only two of them will come out before Wednesday's Fed announcement: Job Openings (via JOLTS) and the Employment Cost Index. Of the two, it's really only JOLTS that has a strong track record of moving markets recently.

That leaves us to wonder how much of an impact the Fed can really have. There haven't been any major changes in the data since their last meeting and there is no dot plot for each member to adjust their rate projections at this meeting. As such, the market may come away with just as much indecision as it has endured in the past few weeks.

Fortunately, for interest rates, this period of correction and indecision hasn't erased the bulk of the improvement seen at the end of 2023. Instead, it's been a token correction, and a logical place to level off as traders wait for data that would endorse additional improvement (or motivate a deeper correction toward higher rates).



30yr Fixed Mortgage Rate Index



One place we don't have to worry about things looking "too strong" for the Fed is in the home sales data. This week's release of December's pending sales was quite a bit higher than November's (nice!), but still near long term lows.



Still, this is a good proof of concept regarding the ability of lower interest rates to motivate additional volume. Moreover, opportunity continues to exist for new construction, also released this week. While new home sales declined a bit, they remain in much better shape relative to their long term range.



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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Wednesday, Jan 24				

Event Importance:

- No Stars = Insignificant
- ☆ Low
- ★ Moderate

★★ Important
 ★★ Very Important

Date	Event	Actual	Forecast	Prior
7:00AM	Jan/19 MBA Refi Index	438.4		471.2
7:00AM	Jan/19 MBA Purchase Index	174.3		162.2
9:45AM	Jan S&P Global Services PMI	52.9	51	51.4
Thursday, Jan 25				
8:30AM	Dec Durable goods (%)	0%	1.1%	5.4%
8:30AM	Q4 GDP (%)	3.3%	2%	4.9%
8:30AM	Jan/20 Jobless Claims (k)	214K	200K	187K
8:30AM	Q4 Core PCE Prices QoQ Final	2%	2%	2%
10:00AM	Dec New Home Sales (ml)	0.664M	0.645M	0.59M
Friday, Jan 26				
8:30AM	Dec Core PCE Inflation (y/y) (%)	2.9%	3%	3.2%
8:30AM	Dec Core PCE (m/m) (%)	0.2%	0.2%	0.1%
10:00AM	Dec Pending Home Sales (%)	8.3%	1.5%	0%
Tuesday, Jan 30				
9:00AM	Nov FHFA Home Prices y/y (%)	6.6%		6.3%
9:00AM	Nov CaseShiller 20 mm nsa (%)	-0.2%		0.1%
9:00AM	Nov FHFA Home Price Index m/m (%)	0.3%		0.3%
9:00AM	Nov Case Shiller Home Prices-20 y/y (%)	5.4%	5.8%	4.9%
10:00AM	Dec USA JOLTS Job Openings	9.026M	8.75M	8.79M
Wednesday, Jan 31				
8:15AM	Jan ADP jobs (k)	107K	145K	164K
8:30AM	Treasury Refunding Announcement (%)			
8:30AM	Q4 Employment costs (%)	0.9%	1%	1.1%
9:45AM	Jan Chicago PMI	46	48	46.9
2:00PM	Fed Interest Rate Decision	5.5%	5.5%	5.5%
2:30PM	Fed Press Conference			
Thursday, Feb 01				
8:30AM	Jan/27 Jobless Claims (k)	224K	212K	214K
10:00AM	Jan ISM Manufacturing PMI	49.1	47	47.4
10:00AM	Dec Construction spending (%)	0.9%	0.5%	0.4%
Friday, Feb 02				
8:30AM	Jan Non Farm Payrolls	353K	180K	216K
8:30AM	Jan Unemployment rate mm (%)	3.7%	3.8%	3.7%
10:00AM	Jan Consumer Sentiment (ip)	79	78.9	69.7

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.

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