



Mike Baker

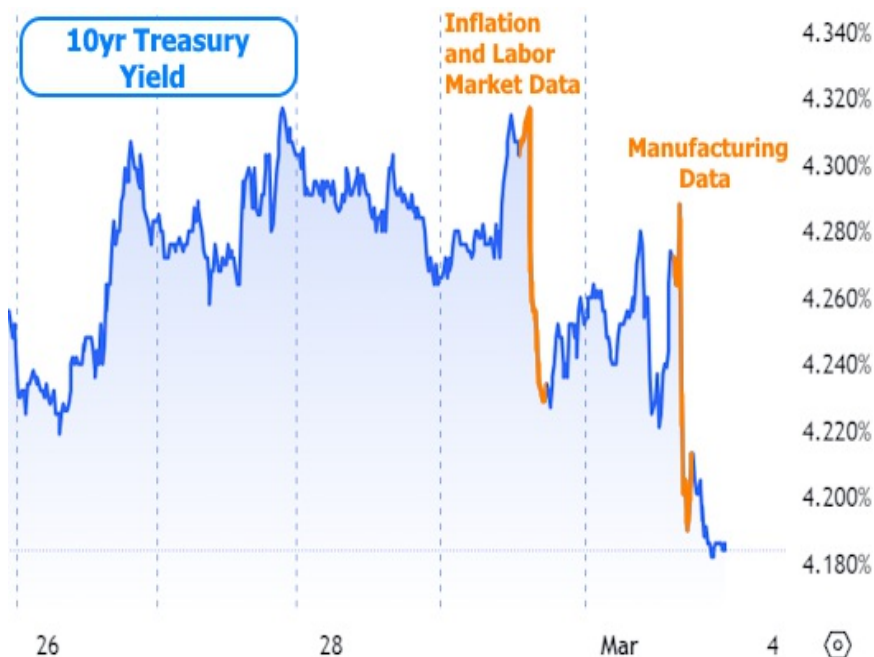
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Rates Defend The Ceiling. High Stakes Week(s) Ahead

This week was more active and interesting than the previous example with a few important economic reports helping rates avoid breaking their recent ceiling.

Using 10yr Treasury yields as a benchmark for this week's rate movement, we see the biggest drops on Thursday and Friday.



Coming into the week, the market was most focused on Thursday's inflation data. Some analysts viewed the as-expected result as a good thing for rates simply because it avoided making the problem worse. The other data definitely mattered though. For example, one part of the weekly jobless claims data showed the 2nd highest level of "continued claims" in more than 2 years.

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%

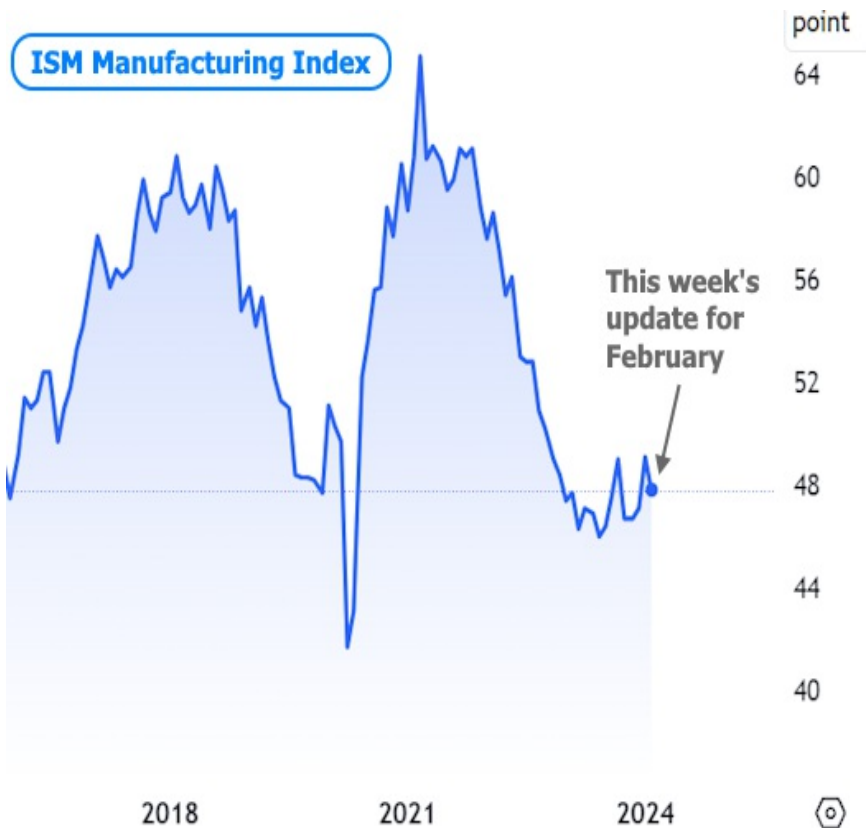


Keep in mind that this is similar to saying "the 2nd highest since the last recession" because, like the unemployment rate, this metric is not prone to multiple significant reversals. There's been more uncertainty than normal surrounding these sorts of numbers recently, because there had been some signs it would move lower. This week's spike reminds markets that once things shift, they tend to shift quickly (even if "quick" is measured in months or years in this case).

The following chart shows a longer term view of continued claims. Notice the past examples where it began to express some indecision a year or two before the abrupt spikes. One issue with the present environment is that we can't really set a baseline time for when indecision began due to distortion caused by covid-related lockdowns. If there's one "best" takeaway, it's that it could take much more time than many people expect before data indicates the next recession.



Friday's manufacturing data sang a similar tune with the highly-regarded ISM Manufacturing index coming in well below forecast. The index is no stranger to these levels over the past year, but markets reacted for other reasons. First off, by moving lower instead of higher, the index avoids a "breakout" that would have suggested some sort of economic reinvigoration.



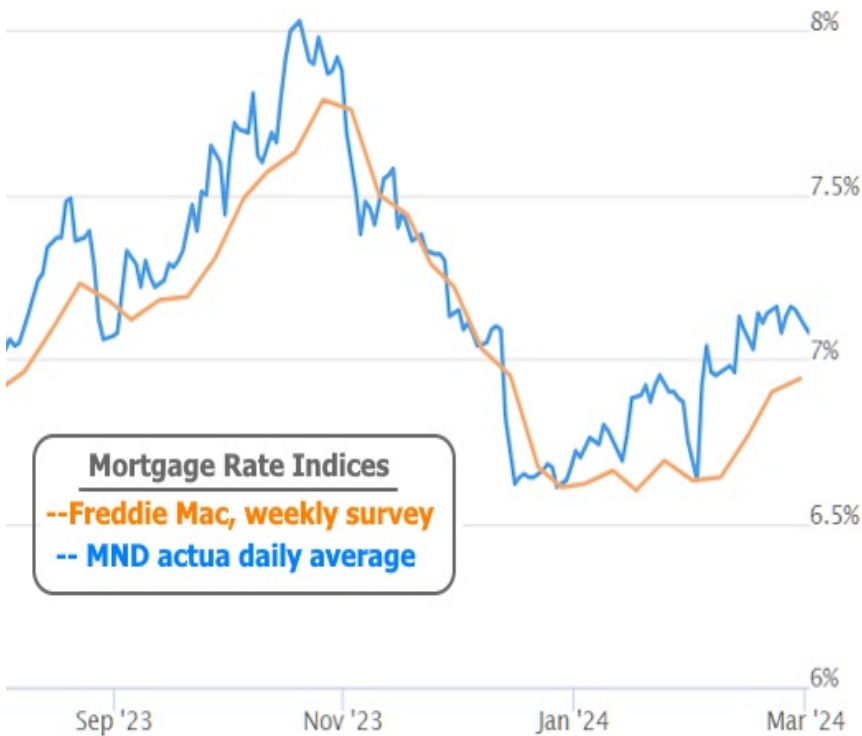
There are also other sub-components to the ISM index and they suggested cooler inflation and employment data ahead (at least as far as the manufacturing sector is concerned). Much like the headline index, the "prices paid" component also avoided breaking its recent ceiling.



If economic metrics and inflation indicators are shying away from breaking ceilings, it makes interest rates more keen to break through floors. We saw hints of such breakouts as a result. Here's a longer term view of 10yr Treasury yields, showing Friday's break below the recent sideways trend.

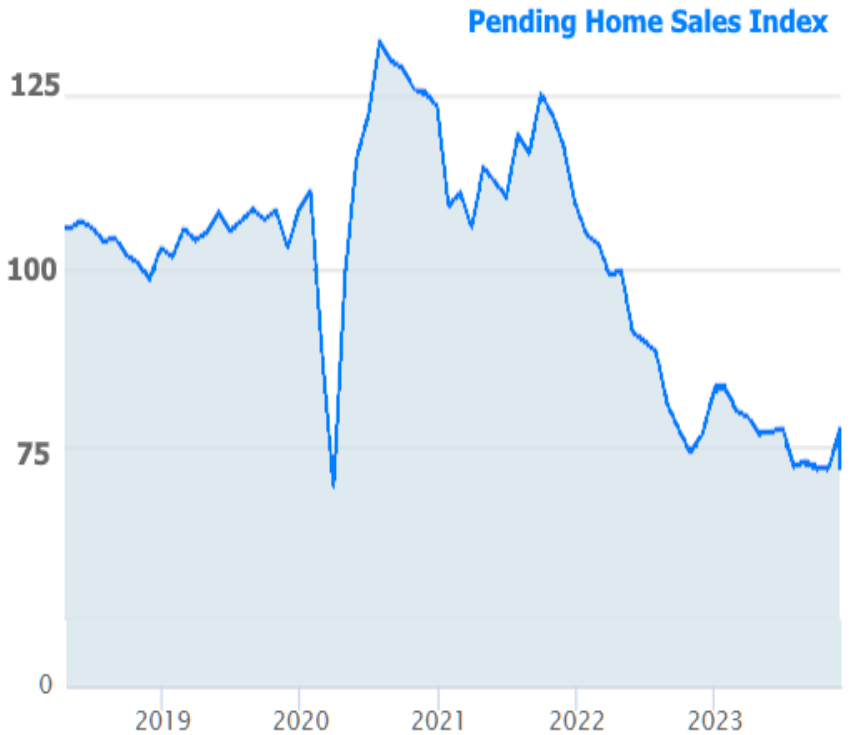


When Treasury yields are falling, mortgage rates are typically doing the same. This week was no exception, although the average lender is not quite through the lowest levels of the past 2 weeks. Notably, some media coverage will be pointing to HIGHER rates this week, but only if they're relying on stale weekly surveys.



In a very real sense, this week's econ data and rate reactions were merely a warm-up for the weeks ahead. Next week brings data that could have a much bigger impact--especially Friday's big jobs report. The following week brings the next Consumer Price Index (CPI) which is at least as important. If that upcoming data tells a different story than this week's data, rates could shoot right back up--threatening or breaking the recent ceiling.

But if the labor market softens and if price pressures ease, the rate market will continue to breathe a sigh of relief hinted at in this week's action. For the housing market, it would not be a moment too soon. Granted, rates aren't the only factor constraining homebuying activity, but lower rates would almost certainly help. Help is needed according to this week's Pending Home Sales index which fell back near its long-term lows.



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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Monday, Feb 26				
10:00AM	Jan New Home Sales (ml)	0.661M	0.68M	0.664M
10:00AM	Jan New Home Sales (%) (%)	1.5%		8%
Tuesday, Feb 27				
8:30AM	Jan Durable goods (%)	-6.1%	-4.5%	0%
9:00AM	Dec FHFA Home Prices y/y (%)	6.6%		6.6%
9:00AM	Dec CaseShiller 20 mm nsa (%)	-0.3%		-0.2%
9:00AM	Dec Case Shiller Home Prices-20 y/y (%)	6.1%	6%	5.4%
9:00AM	Dec FHFA Home Price Index m/m (%)	0.1%		0.3%
10:00AM	Feb CB Consumer Confidence (%)	106.7	115	114.8

Event Importance:

No Stars = Insignificant

☆ Low

★ Moderate

★★ Important

★★★ Very Important

Date	Event	Actual	Forecast	Prior
Wednesday, Feb 28				
8:30AM	Q4 GDP (%)	3.2%	3.3%	4.9%
Thursday, Feb 29				
8:30AM	Feb/17 Continued Claims (ml)	1905K	1874K	1862K
8:30AM	Feb/24 Jobless Claims (k)	215K	210K	201K
8:30AM	Jan Core PCE (m/m) (%)	0.4%	0.4%	0.2%
8:30AM	Jan Core PCE Inflation (y/y) (%)	2.8%	2.8%	2.9%
9:45AM	Feb Chicago PMI	44	48	46
10:00AM	Jan Pending Home Sales (%)	-4.9%	1%	8.3%
Friday, Mar 01				
10:00AM	Feb ISM Mfg Prices Paid	52.5	53	52.9
10:00AM	Feb ISM Manufacturing PMI	47.8	49.5	49.1
10:00AM	Feb Consumer Sentiment (ip)	76.9	79.6	79
Tuesday, Mar 05				
9:45AM	Feb S&P Global Services PMI	52.3		52.5
10:00AM	Feb ISM N-Mfg PMI	52.6	53	53.4
Wednesday, Mar 06				
8:15AM	Feb ADP jobs (k)	140K	150K	107K
10:00AM	Jan USA JOLTS Job Openings	8.863M	8.9M	9.026M
10:00AM	Fed Chair Powell Testimony			
Thursday, Mar 07				
8:30AM	Mar/02 Jobless Claims (k)	217K	215K	215K
10:00AM	Fed Chair Powell Testimony			
Friday, Mar 08				
8:30AM	Feb Average earnings mm (%)	0.1%	0.3%	0.6%
8:30AM	Feb Non Farm Payrolls	275K	200K	353K
8:30AM	Feb Unemployment rate mm (%)	3.9%	3.7%	3.7%

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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