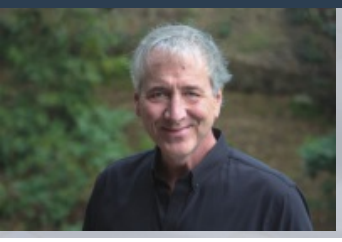

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Rates Remain Elevated "Just Because," But Still Under Recent Highs

Last week's newsletter flagged an uncommonly high level of quarter-end trading volatility as a key contributor to a surprise mid-week rate spike. We got another dose of that drama this week, but things calmed down by the end.

Bond market drama creates rate drama because rates are directly based on bonds. Due to the immense size and complexity of the bond market (and broader financial market), and because trading strategies can vary based on who's doing the trading, there is no satisfying way to measure exactly why things happen the way they do at quarter-end.

What we do know is that a massive amount of money changes hands in a very short time window, with a lot of last-minute settlement taking place right up to the end-of-quarter cut-off. There's also quarter-end trading that begins impacting trading levels several weeks in advance, but it was the "last minute" stuff that hit the bond market this week.

This resulted in Tuesday's rates jumping quickly higher for no apparent reason. Wednesday added a bit of an aftershock as mortgage lenders got caught up with Tuesday's volatility (some lenders don't fully account for all the volatility in a trading day if it happens late enough in the day).

All told, this took the average 30yr fixed rate an eighth of a point higher on the week as of Wednesday. What happened next was a mixed blessing depending on which side you root for. Fans of strong jobs growth got bad news on Thursday morning with June's job count coming in at 57k--well short of the 110k median forecast.

But as is ever the case, bad news for the labor market is generally good news for rates. Bonds improved following the data and mortgage rates managed to recover almost half of the ground lost earlier in the week.

Nonetheless, the week ends with 30yr fixed rates 0.07% higher than last week for the average lender. NOTE: weekly survey-based rate data (i.e. MBA/Freddie Mac) showed lower rates this week because their methodologies have not yet captured Wednesday's rate spike (Freddie technically has, but its impact is diluted because its averaged with the preceding 4 business days).

National Average Mortgage Rates

Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.35%	+0.02	0.00
15YR Fixed	7.00%	-0.01	0.00
30YR FHA	6.99%	+0.01	0.00
30YR Jumbo	7.60%	0.00	0.00
7/6 SOFR	6.86%	+0.01	0.00
30YR VA	7.00%	+0.01	0.00

Rates as of: 10/28

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	99.75	+0.16
10 YR Treasury	4.9648	-0.0517
30 YR Treasury	5.3071	-0.0382

Pricing as of: 10/29 10:51AM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Oct 14	188.6	-5.32%
Building Permits	Sep	1.4M	+0.43%
Housing Starts	Sep	1.22M	-4.24%
New Home Sales	Aug	684K	+12.69%
Pending Home Sales	Aug	71.2	0%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Oct	29	-9.38%

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Bottom line: rates are higher this week, but thankfully still not as high as they were in early June or mid-May. Next week brings a smattering of economic data in addition to the minutes of the most recent Fed meeting. The market continues pricing in a higher likelihood of Fed rate hikes by the end of the year.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Tuesday, Jun 30				
9:00AM	Apr FHFA Home Prices y/y (%)	2%		1.7%
9:00AM	Apr Case Shiller Home Prices-20 y/y (%)	1.1%	0.9%	0.8%
9:45AM	Jun Chicago PMI	56.7	58.1	62.7
10:00AM	May USA JOLTS Job Openings (ml)	7.594M	7.30M	7.618M
Wednesday, Jul 01				
7:00AM	Jun/26 MBA Refi Index	828.7		834.2
7:00AM	Jun/26 MBA Purchase Index	170.6		169.7
8:15AM	Jun ADP jobs (k)	98K	113K	122K
9:00AM	Fed Chair Warsh Speech			
10:00AM	Jun ISM Manufacturing PMI	53.3	54	54.0
Thursday, Jul 02				
8:30AM	Jun/27 Jobless Claims (k)	215K	220K	215K
8:30AM	Jun Non Farm Payrolls (k)	57K	110K	172K
8:30AM	Jun Unemployment rate mm (%)	4.2%	4.3%	4.3%
Monday, Jul 06				
10:00AM	Jun ISM N-Mfg PMI	54.0	54	54.5
Tuesday, Jul 07				
8:30AM	May Trade Gap (bl)	$-77.6B	$-78.5B	$-55.9B
Wednesday, Jul 08				
2:00PM	FOMC Minutes			
Thursday, Jul 09				
8:30AM	Jul/04 Jobless Claims (k)	215K	218K	215K
10:00AM	Jun Existing home sales (ml)	4.09M	4.20M	4.17M

Event Importance:

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

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Experienced Mortgage Guidance. Personal Service. Reliable Closings.

With over 20 years of experience I help homebuyers and homeowners throughout California find mortgage solutions tailored to their needs. As co-owner of Sierra Capital Mortgage I work directly with clients and Realtors providing personalized guidance, clear communication, and dependable service from preapproval through closing.
Whether handling a straightforward purchase or a complex financing situation my priority is making the mortgage process as smooth and successful as possible while building lasting relationships.
I hold an MBA from USC and previously held management positions at EarthLink and Mattel. Before entering the mortgage industry I was a professional musician in Los Angeles.

Roland Wilcox

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