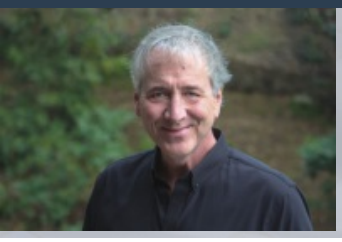

Roland Wilcox
Owner, Sierra Capital Mortgage Company
NMLS License #245214
1055 E. Colorado Blvd. Suite 500 Pasadena, CA

Office: (626) 449-8545
roland@sierracap.net
View My Website

Mortgage Rates Barely Budged in Response to Fed Rate Hike

It's a common refrain in this newsletter: The Fed does not hike/cut mortgage rates and the two can often move in opposite directions in the short-term.

Mortgage rates were already surging above 7% last week as oil prices broke above $100 per barrel and diesel prices at the pump reached all-time highs. Inflation data also increased the odds of a Fed rate hike this week, adding to the upward pressure.

This is one of the main ways the Fed Funds Rate actually matters to longer-term rates such as mortgages. Financial markets begin accounting for an expected Fed move well before the Fed actually makes it. By the time the Fed meets, mortgage rates have already priced in the expected decision and are waiting for new information about what comes next.

Unfortunately, the Fed delivered that new information on Wednesday.

The rate hike itself did absolutely nothing to the underlying bond market. Bonds barely moved when the decision was announced at 2pm ET. Rates didn't begin moving higher until Fed Chair Kevin Warsh's press conference started 30 minutes later.

Why? Simply put, Warsh strongly implied that additional hikes are coming. He described Wednesday's hike as "removing some accommodation." When the Fed says policy is accommodative, it means the current Fed Funds Rate is doing slightly more to promote economic growth and inflation than to restrain them. By saying only "some" accommodation had been removed, Warsh effectively hinted at more rate hikes in the near term.

Warsh also said inflation trends had not improved, the economy had strengthened and the geopolitical situation had deteriorated. All three points argue in favor of additional rate hikes.

As we noted last week, there have been indications that longer-term rates were looking for reassurance that the Fed was firmly committed to fighting inflation. Wednesday's hike and press conference more than delivered. Although that caused significant volatility on Wednesday, mortgage rates improved almost all the way back to the best levels of the week on Thursday.

The underlying bond market weakened again on Friday for reasons that may have been incidental to the week's main story. One possibility involved the forex market, specifically Japan selling Treasuries to support the value of its

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	4.9658	-0.0507
30 YR Treasury	5.3098	-0.0355

Pricing as of: 10/29 10:50AM 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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currency. Either way, the average mortgage lender wasn't too much worse for the wear.

The week ahead offers little in terms of truly big-ticket economic data despite a fairly busy calendar. Oil price volatility is as likely as anything to set the tone for day-to-day rate momentum.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Tuesday, Sep 15				
8:30AM	Sep NY Fed Manufacturing	7.60	14.75	20.60
Wednesday, Sep 16				
7:00AM	Sep/11 MBA Purchase Index	156.2		157.5
7:00AM	Sep/11 MBA Refi Index	627.1		687.3
8:30AM	Aug Import prices mm (%)	0.7%	0.4%	-0.4%
8:30AM	Aug Retail Sales (%)	1.2%	0.8%	-0.6%
10:00AM	Sep NAHB housing market indx	32	34	35
2:00PM	Fed Interest Rate Decision	4%	4%	3.75%
2:30PM	Warsh Press Conference			
Thursday, Sep 17				
8:30AM	Sep/12 Jobless Claims (k)	196K	208K	206K
8:30AM	Sep Philly Fed Business Index	37.8	30.5	47.4
8:30AM	Aug Building Permits (ml)	1.394M	1.41M	1.433M
8:30AM	Aug Housing starts number mm (ml)	1.275M	1.31M	1.239M
10:00AM	Aug Pending Home Sales (%)	0.3%	2%	-2.3%
Friday, Sep 18				
9:15AM	Aug Industrial Production (%)	0%	0.3%	0.2%
Thursday, Sep 24				
8:30AM	Sep/19 Jobless Claims (k)	197K	201K	196K
10:00AM	Aug New Home Sales (ml)	0.684M	0.62M	0.607M
Friday, Sep 25				
8:30AM	Aug Durable goods (%)	0%	-0.4%	1.1%
10:00AM	Sep Consumer Sentiment (ip)	48.1	47.6	51.7

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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