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## Reasonably Resilient Rates Waiting to See Wednesday's Inflation Data

Data dependent... That's a phrase that is all too prevalent in financial markets and among members of the Federal Reserve. It refers to the fact that economic data will guide the future path of interest rate decisions.

While rates always depend on data, the data outlook isn't always as uncertain as it has been in the past few years. At times, we've been waiting for inflation and job growth to stop surging. At other times, we've been waiting for them to confirm a move in the other direction. Either way, there are a few reports that financial markets watch more closely than others and this week's jobs report is one of the best examples.

When job growth is higher than expected, the default reaction is for rates to move higher. The bigger the "beat" (which refers to the actual job count versus the median forecast among multiple economists), the bigger the rate jump tends to be, on average.

With that in mind, Friday's payroll count of 303k versus a median forecast of 200k was a big beat! Moreover, it continues a recent trend of labor market resilience that rates should find troubling. Specifically, rather than return to pre-covid averages, monthly job counts have leveled-off and bounced early.

## National Average Mortgage Rates



	Rate	Change	Points
<b>Mortgage News Daily</b>			
30 Yr. Fixed	6.86%	-0.05	0.00
15 Yr. Fixed	6.31%	-0.02	0.00
30 Yr. FHA	6.32%	-0.06	0.00
30 Yr. Jumbo	7.04%	-0.03	0.00
5/1 ARM	6.53%	-0.02	0.00

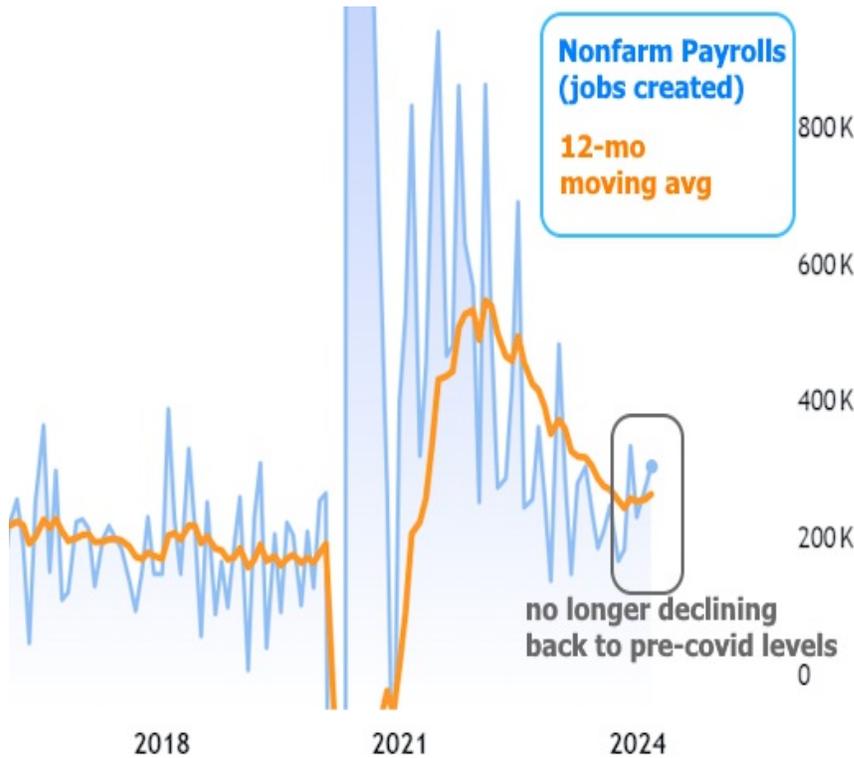
### Freddie Mac

30 Yr. Fixed	6.78%	-0.08	0.00
15 Yr. Fixed	6.07%	-0.09	0.00

Rates as of: 7/26

## Recent Housing Data

		Value	Change
Mortgage Apps	Jul 10	206.1	-0.19%
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%



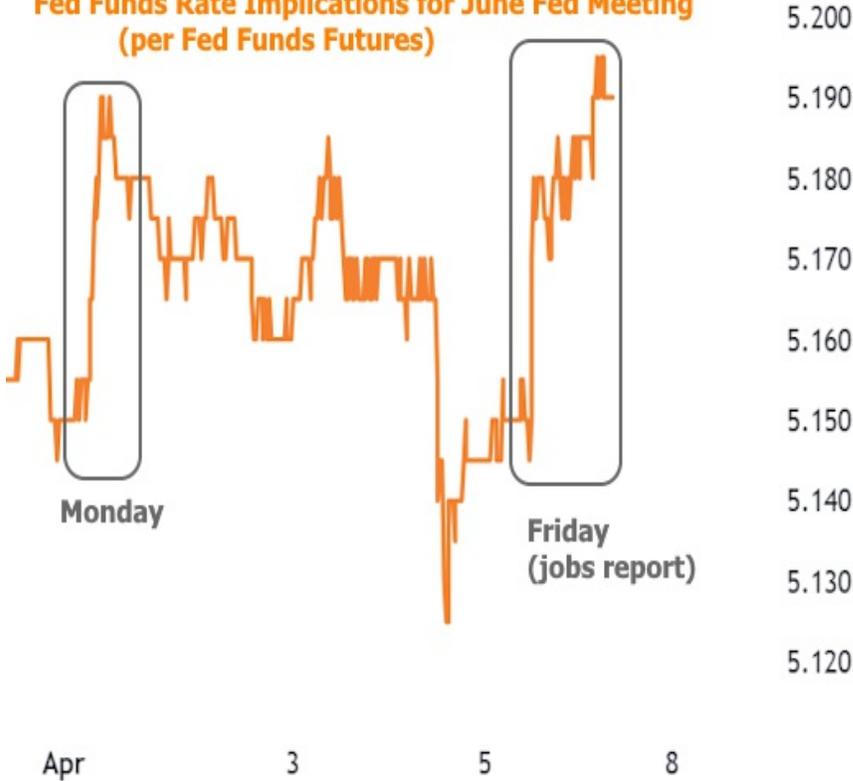
It was no surprise to see bonds lose ground and rates move higher, but the size of rate increase is much more curious. In terms of 10yr Treasury yields, the most widely followed benchmark for longer-term rates, it wasn't remotely close to being the biggest move of the week.



The big move on Monday was complicated, but it was only partially driven by economic data. That begs the question: if rates are data dependent, why didn't the jobs report do more damage?

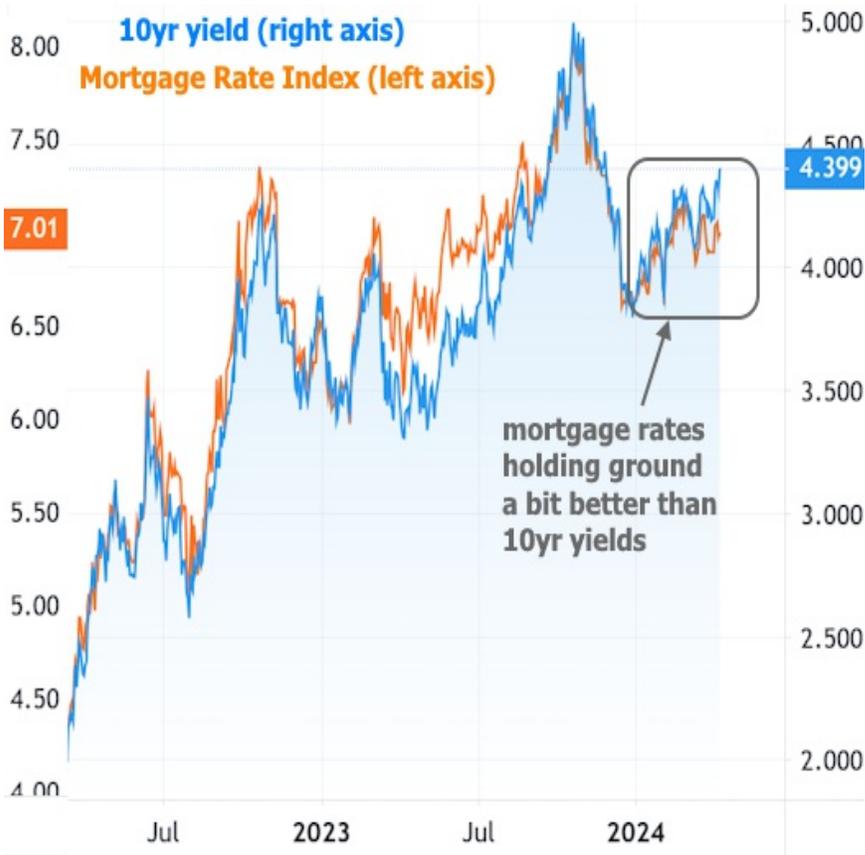
One thing to consider is that the reaction to the jobs data did, in fact, leave the bond market at the worst levels of the week, even if it didn't cause the biggest spike. Moreover, 10yr Treasuries are only one benchmark to consider. There was much more relative movement in Fed Rate Cut expectations which decreased at the fastest pace of the week.

### Fed Funds Rate Implications for June Fed Meeting (per Fed Funds Futures)



The other major counterpoint is that while the jobs report is certainly big, next week's Consumer Price Index (CPI) is bigger. It's not unreasonable to consider that markets are waiting to trade the full reaction to this week's data until they see how CPI comes in next week.

One silver lining is that mortgage rates had a slightly better week than Treasury yields and have generally been outperforming since February. The average 30yr fixed rate has moved up by less than 0.40% from Feb 1, 2024 while 10yr yields have moved up more than 0.50% over the same time.



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**Recent Economic Data**

Date	Event	Actual	Forecast	Prior
<b>Monday, Apr 01</b>				
9:45AM	Mar S&P Global Manuf. PMI	51.9		52.2
10:00AM	Mar ISM Mfg Prices Paid	55.8	52.7	52.5
10:00AM	Mar ISM Manufacturing PMI	50.3	48.4	47.8
<b>Tuesday, Apr 02</b>				
10:00AM	Feb USA JOLTS Job Openings	8.756M	8.75M	8.863M
<b>Wednesday, Apr 03</b>				
7:00AM	Mar/29 MBA Purchase Index	145.6		145.7
7:00AM	Mar/29 MBA Refi Index	453.5		460.9
8:15AM	Mar ADP jobs (k)	184K	148K	140K
9:45AM	Mar S&P Global Services PMI	51.7		52.3
10:00AM	Mar ISM N-Mfg PMI	51.4	52.7	52.6
10:00AM	Mar ISM Services Prices	53.4		58.6
<b>Thursday, Apr 04</b>				
8:30AM	Mar/30 Jobless Claims (k)	221K	214K	210K

**Event Importance:**

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

Date	Event	Actual	Forecast	Prior
<b>Friday, Apr 05</b>				
8:30AM	Mar Non Farm Payrolls	303K	200K	275K
8:30AM	Mar Unemployment rate mm (%)	3.8%	3.9%	3.9%
<b>Wednesday, Apr 10</b>				
8:30AM	Mar y/y CORE CPI (%)	3.8%	3.7%	3.8%
8:30AM	Mar m/m CORE CPI (%)	0.4%	0.3%	0.4%
2:00PM	FOMC Minutes			
<b>Thursday, Apr 11</b>				
8:30AM	Mar Core Producer Prices MM (%)	0.2%	0.2%	0.3%
8:30AM	Mar Core Producer Prices YY (%)	2.4%	2.3%	2%
8:30AM	Apr/06 Jobless Claims (k)	211K	215K	221K
<b>Friday, Apr 12</b>				
8:30AM	Mar Import prices mm (%)	0.4%	0.3%	0.3%
8:30AM	Mar Export prices mm (%)	0.3%	0.3%	0.8%
10:00AM	Apr Consumer Sentiment (ip)	77.9	79	79.4

## Professional Mortgage Lending

With over two decades of experience in the mortgage business and a background that sets me apart from many lenders, I bring an unprecedented level of expertise to each client. Through knowledge of current lending markets, and access to innovative products for buyers with unique backgrounds my clients can expect justifiable results quickly and easily. More than simply understanding numbers though; tech-savvy communication ensures quick returns on questions while always keeping their best interests at heart is what truly makes me stand out.

Finding the right professionals to make life's big decisions can be daunting. A great doctor and lawyer, a savvy financial advisor, and a spiritual leader – these are all important considerations. But don't forget your mortgage situation! It pays to have an experienced professional helping you navigate one of life's largest investments in order for it to pay off down the road. Let me offer that expert guidance through my trusted services - I'd love to help make this process as straightforward as possible so you get exactly what you need out of home ownership.

**Michael Trahan**

