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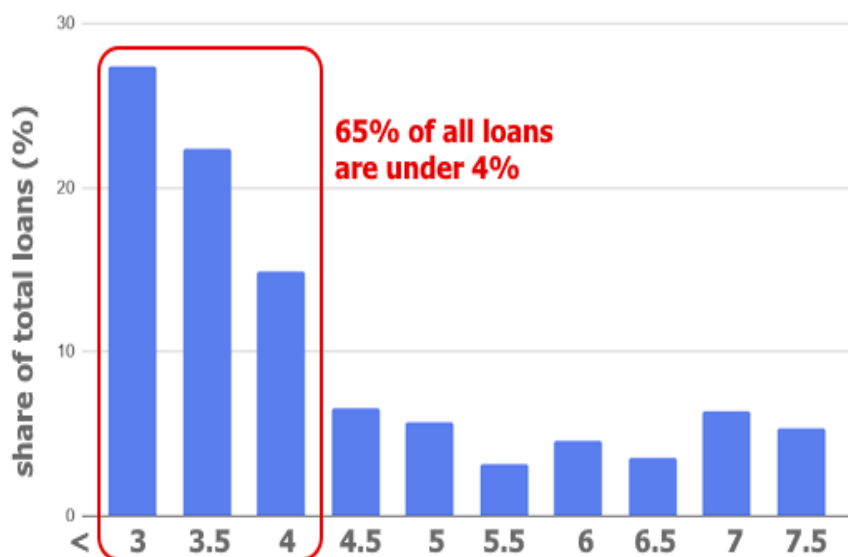
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## Refi Demand Exploded (Relatively), But Rates Are Settling (For Now)

There's been widespread speculation as to the effect that falling rates will have on refinance demand in a world where 2/3rds of mortgages have rates under 4%. This week's data suggests it's worth discussing.

### Outstanding Conventional Mortgage Balances by Rate



While the blue bars on the right side of the chart above may not be as big, they still represent 100s of millions of dollars of loan balances. In fact, there are nearly 10 billion dollars outstanding at rates of 7% and higher. As such, when last week's rates dropped briefly into the low 6% range, there was a mini glut of refi demand. The following chart shows the latest refinance application index from the Mortgage Bankers Association (MBA).

## National Average Mortgage Rates



	Rate	Change	Points
<b>Mortgage News Daily</b>			
30 Yr. Fixed	6.43%	+0.02	0.00
15 Yr. Fixed	5.95%	0.00	0.00
30 Yr. FHA	5.82%	+0.02	0.00
30 Yr. Jumbo	6.62%	0.00	0.00
5/1 ARM	6.28%	-0.01	0.00

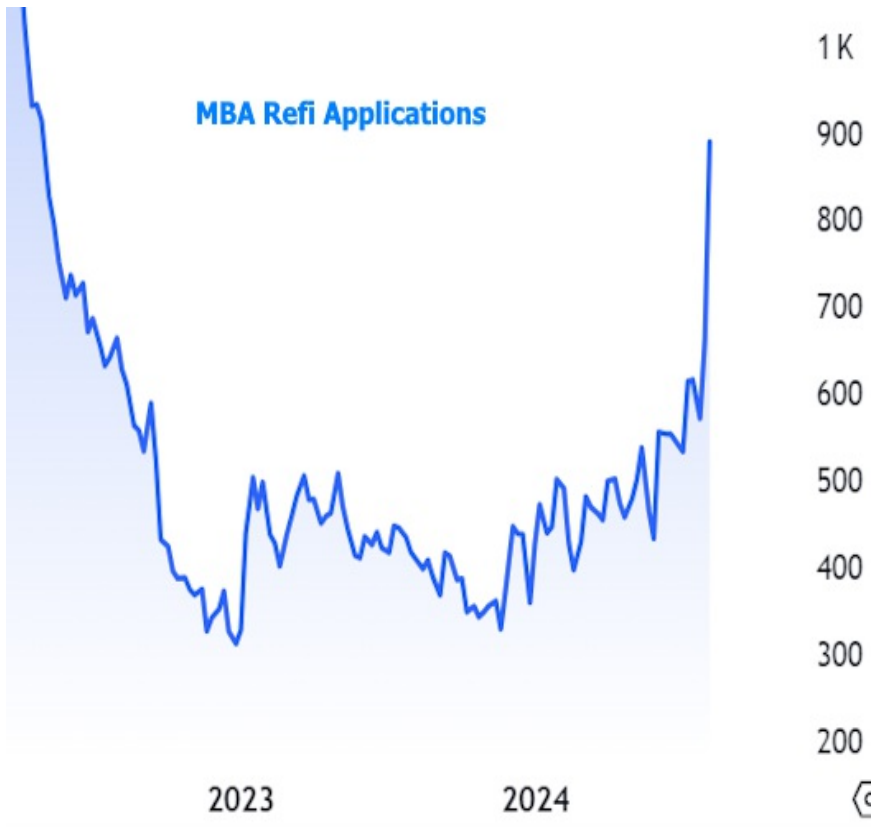
### Freddie Mac

30 Yr. Fixed	6.35%	-0.51	0.00
15 Yr. Fixed	5.51%	-0.65	0.00

Rates as of: 8/30

## Recent Housing Data

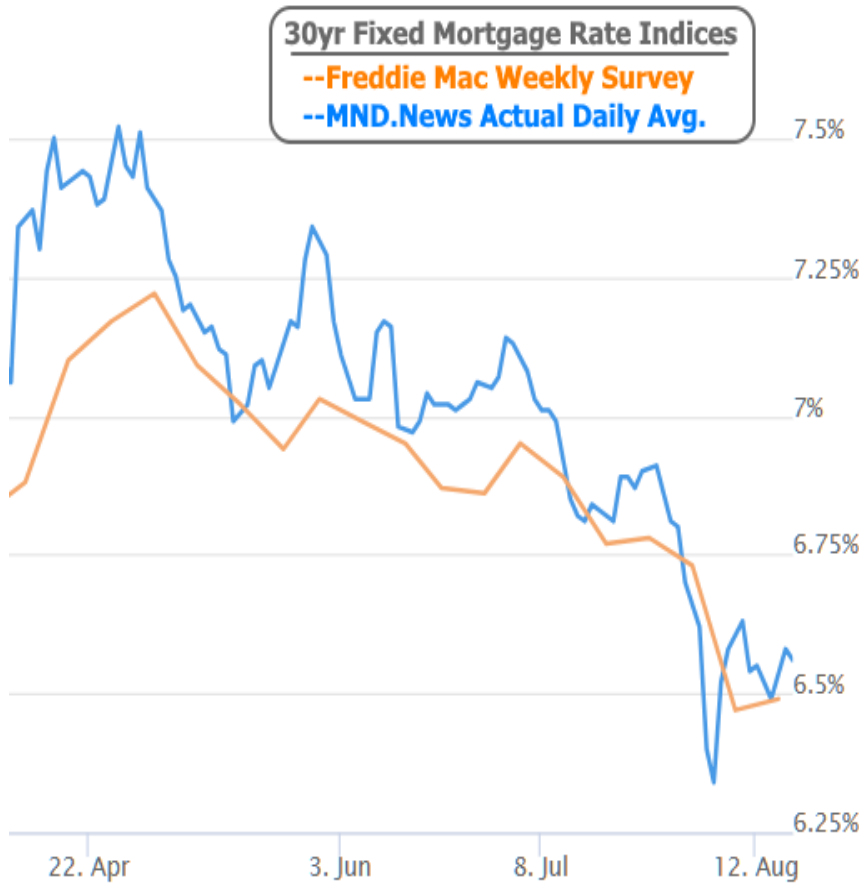
		Value	Change
Mortgage Apps	Aug 28	226.9	+0.49%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%
Builder Confidence	Mar	51	+6.25%



That may not look too "mini" at first glance, but context is important.



In other words, we're barely back to what had been historically low levels of refi activity seen in late 2018. The counterpoint is that rates were only in the low 6's for an hour or two last Monday morning. Bottom line: this is still proof of concept for more widespread refi demand in a scenario where rates move back into the 5s and hold those levels for more than a few hours.



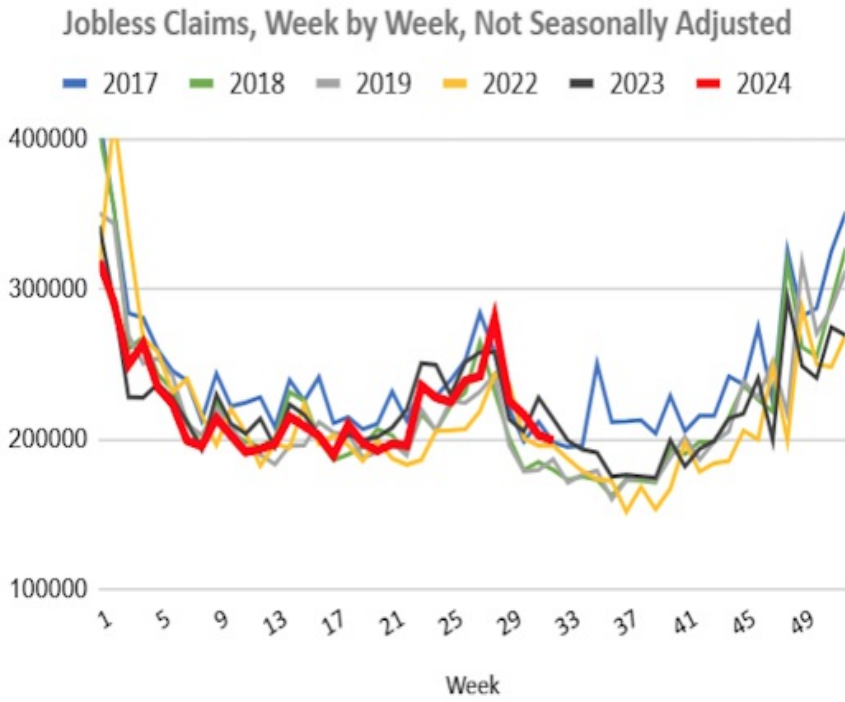
So how likely is a move back into the 5s? Based on the recent trajectory of economic data 2 weeks ago, it's only a matter of time. Since then, the data has been more of a two way street. The first few days of this week saw rates move lower in response to lower inflation. Thursday brought a sharp bounce in response to higher retail sales numbers and lower jobless claims.

The weekly Jobless Claims report is becoming rapidly more important due to the confluence of the most recent jobs report (a different, significantly larger and more important report compared to the jobless claims data) and the Federal Reserve's increased level of focus on the health of the labor market.

In not so many words, the Fed just talked about watching employment more closely in the announcement 2 weeks ago. 2 days later, the big jobs report came out much weaker than expected. Markets figured the Fed would have been even more rate friendly if they'd known about the jobs data.

From that point on, every little shred of employment data has been more important than normal. Jobless Claims, in particular, are very useful because they're reported on a weekly basis, thus allowing the market to potentially get ahead of any shift in the trend.

Rather than confirm the downbeat message from the big jobs report, Jobless Claims have instead been signaling business as usual, cutting a substantially similar path to the past 5 non-lockdown-distorted years.



As seen in 10yr Treasury yields, rates have responded accordingly.

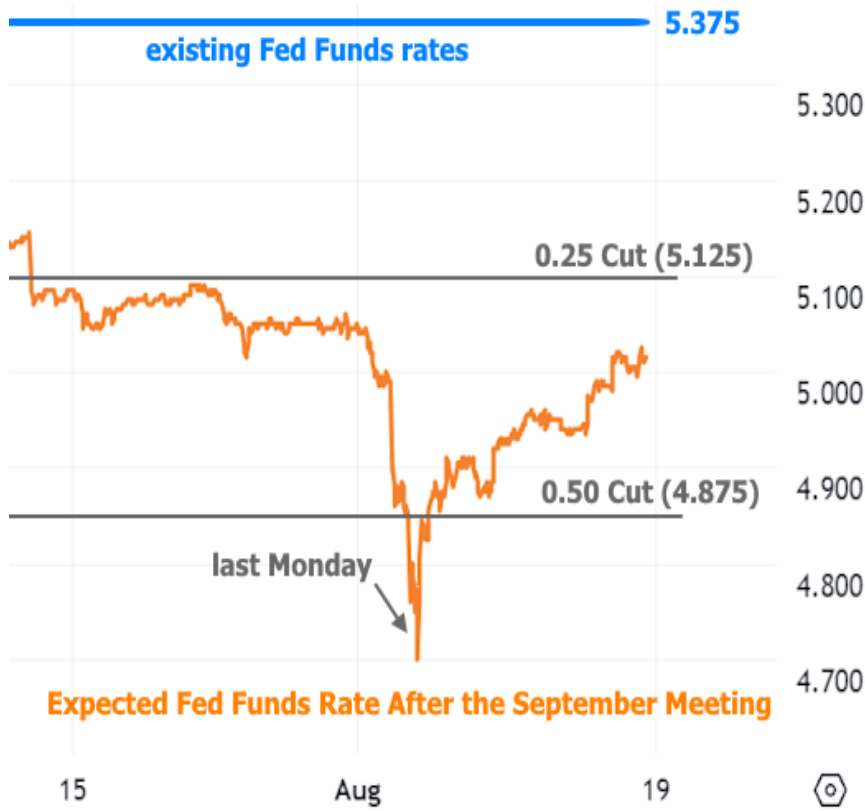


Thankfully for fans of low rates, these bumps have been contained by a broader consolidation near the lowest rate levels of the year.



Between now and the September Fed meeting, there are FIVE more jobless claims releases, another big jobs report, and another installment of the Consumer Price Index (CPI) in addition to plenty of strong supporting actors of the economic data world. If there's a cohesive message, rates should move accordingly (i.e. weaker data = lower rates, stronger data = higher rates).

As always, mortgage rates and Treasury yields would move well before the Fed announces a rate cut (seen as 100% likely for September). The market is constantly trading its expectations for the Fed Funds Rate, and those expectations tend to look a lot like the day to day movement in consumer rates.



Here's a longer term chart of a different Fed Funds Rate futures contract (June 2025) overlaid with a 5yr Treasury yield. 5yr Treasuries are actually more correlated with mortgage rate movement these days than 10yr Treasuries. Either way, the point is to show that the rate market will have already made its move by the time the Fed meeting rolls around.



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## Recent Economic Data

Date	Event	Actual	Forecast	Prior
<b>Tuesday, Aug 13</b>				
8:30AM	Jul Core Producer Prices MM (%)	0%	0.2%	0.4%
8:30AM	Jul Core Producer Prices YY (%)	2.4%	2.7%	3%
<b>Wednesday, Aug 14</b>				
7:00AM	Aug/09 MBA Refi Index	889.3		661.4
7:00AM	Aug/09 MBA Purchase Index	137.7		133.9
8:30AM	Jul m/m CORE CPI (%)	0.2%	0.2%	0.1%
8:30AM	Jul y/y CORE CPI (%)	3.2%	3.2%	3.3%
<b>Thursday, Aug 15</b>				
8:30AM	Aug NY Fed Manufacturing	-4.70	-6	-6.60
8:30AM	Aug Philly Fed Business Index	-7.0	7	13.9
8:30AM	Jul Import prices mm (%)	0.1%	-0.1%	0%
8:30AM	Jul Retail Sales (%)	1%	0.3%	0%
8:30AM	Aug/10 Jobless Claims (k)	227K	235K	233K
9:15AM	Jul Industrial Production (%)	-0.6%	-0.3%	0.6%
10:00AM	Aug NAHB housing market indx	39	43	42
<b>Friday, Aug 16</b>				
8:30AM	Jul Housing starts number mm (ml)	1.238M	1.33M	1.353M
8:30AM	Jul Building permits: number (ml)	1.396M	1.43M	1.454M
10:00AM	Aug Consumer Sentiment (ip)	67.8	66.9	66.4
<b>Wednesday, Aug 21</b>				
2:00PM	FOMC Minutes			
<b>Thursday, Aug 22</b>				
8:30AM	Aug/17 Jobless Claims (k)	232K	230K	227K
9:45AM	Aug S&P Global Services PMI	55.2	54	55.0
10:00AM	Jul Existing home sales (ml)	3.95M	3.93M	3.89M
<b>Friday, Aug 23</b>				
10:00AM	Jul New Home Sales (ml)	0.739M	0.63M	0.617M
10:00AM	Fed Chair Powell Speech			

## Event Importance:

No Stars = Insignificant

☆ Low

★ Moderate

★★ Important

★★★ Very Important

## 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.

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