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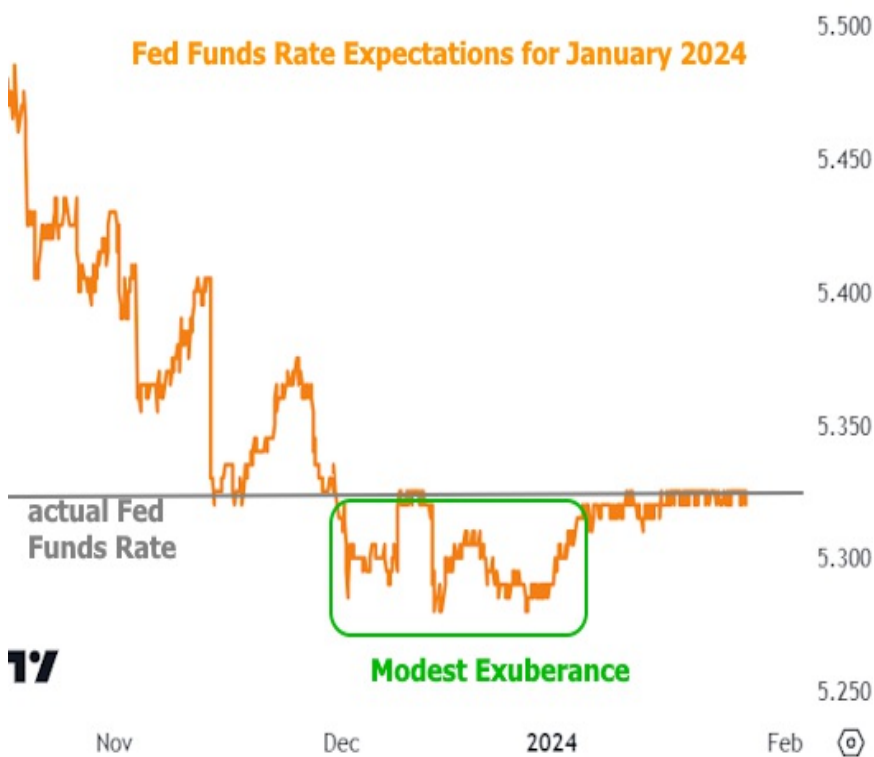
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What's At Stake With The Upcoming Fed Meeting?

Over the past 2 months, speculation ramped up quickly regarding the pace and magnitude of Fed rate cuts in 2024. Next week brings the first Fed meeting that's in the realm of that speculation.

Some pundits went so far as to mention a chance of a rate cut as early as the January meeting. Could that happen and what would the implications be of rate cuts in general?

First off, the market doesn't really believe this will happen. There were a few days where some of the trades in Fed Funds Futures suggested an outside possibility of a January rate cut, but that has since been priced out of the market.



There has certainly been a shift in the market's assessment of the Fed's stance. It took place with strong momentum in November and December. The Fed itself added to the momentum with the rate-friendly announcement on December 13th.

National Average Mortgage Rates



	Rate	Change	Points
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Mortgage News Daily

30 Yr. Fixed	6.89%	0.00	0.00
15 Yr. Fixed	6.33%	+0.01	0.00
30 Yr. FHA	6.33%	+0.01	0.00
30 Yr. Jumbo	7.05%	0.00	0.00
5/1 ARM	6.58%	0.00	0.00

Freddie Mac

30 Yr. Fixed	6.77%	-0.09	0.00
15 Yr. Fixed	6.05%	-0.11	0.00

Rates as of: 7/22

Market Data

	Price / Yield	Change
MBS UMBS 5.5	99.30	-0.10
MBS GNMA 5.5	99.72	-0.05
10 YR Treasury	4.2711	+0.0332
30 YR Treasury	4.4851	+0.0383

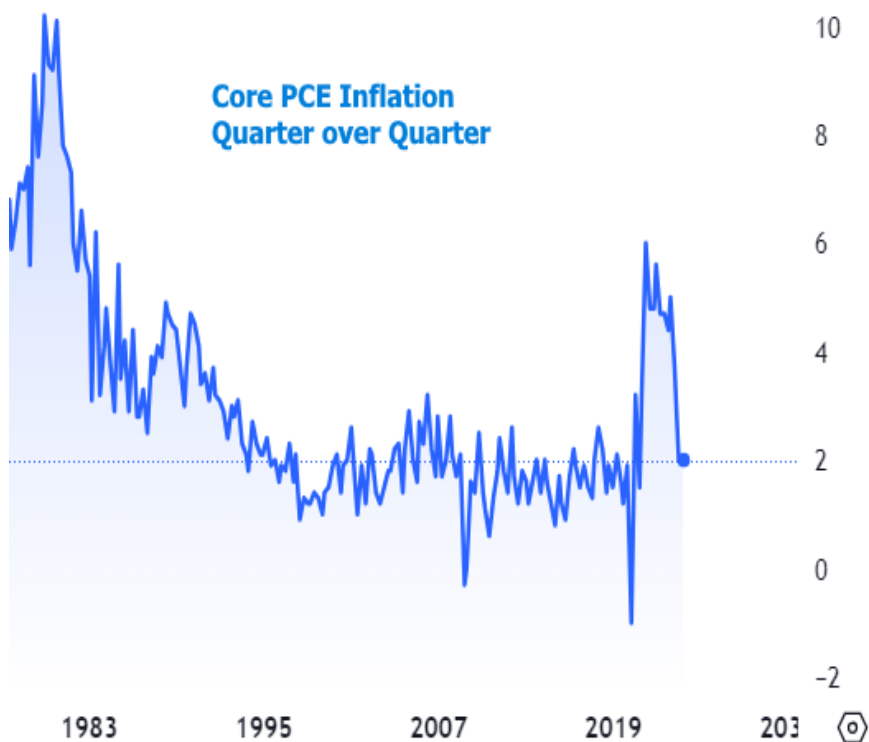
Pricing as of: 7/22 12:50PM EST

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%

Since then, however, we have not seen the sort of economic data necessary to fulfill the conditions of a Fed rate cut cycle. This isn't to say it can't happen in 2024--only that it's too soon to debate. At the very least, we know we haven't met those conditions yet.

But what about core inflation returning to 2%? After all, that's the Fed target and this week's GDP data did show core PCE at 2% quarter-over-quarter.



This is not an optical illusion, but it's important to understand the 2% inflation target is an annual metric. The chart above shows lots of promise based on Q4 of 2023. Now we need to make sure 2% inflation sticks around so the annual chart can align with the quarterly chart.

Core PCE inflation, year over year



While it's no longer necessarily a top priority, the Fed would also not mind seeing some more slack in the labor market and some other signs of economic weakness to bolster the case for further disinflation. If the economy is too strong, they need to wonder if inflation might pick back up.

To that end, next week's jobs report will be a big potential source of volatility, as always, but even before then, there are several other pieces of data that could cause volatility. Only two of them will come out before Wednesday's Fed announcement: Job Openings (via JOLTS) and the Employment Cost Index. Of the two, it's really only JOLTS that has a strong track record of moving markets recently.

That leaves us to wonder how much of an impact the Fed can really have. There haven't been any major changes in the data since their last meeting and there is no dot plot for each member to adjust their rate projections at this meeting. As such, the market may come away with just as much indecision as it has endured in the past few weeks.

Fortunately, for interest rates, this period of correction and indecision hasn't erased the bulk of the improvement seen at the end of 2023. Instead, it's been a token correction, and a logical place to level off as traders wait for data that would endorse additional improvement (or motivate a deeper correction toward higher rates).



30yr Fixed Mortgage Rate Index



One place we don't have to worry about things looking "too strong" for the Fed is in the home sales data. This week's release of December's pending sales was quite a bit higher than November's (nice!), but still near long term lows.



Still, this is a good proof of concept regarding the ability of lower interest rates to motivate additional volume. Moreover, opportunity continues to exist for new construction, also released this week. While new home sales declined a bit, they remain in much better shape relative to their long term range.



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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Wednesday, Jan 24				

Event Importance:

No Stars = Insignificant

☆ Low

★ Moderate

☆☆ Important
 ☆☆☆ Very Important

Date	Event	Actual	Forecast	Prior
7:00AM	Jan/19 MBA Refi Index	438.4		471.2
7:00AM	Jan/19 MBA Purchase Index	174.3		162.2
9:45AM	Jan S&P Global Services PMI	52.9	51	51.4
Thursday, Jan 25				
8:30AM	Dec Durable goods (%)	0%	1.1%	5.4%
8:30AM	Q4 GDP (%)	3.3%	2%	4.9%
8:30AM	Jan/20 Jobless Claims (k)	214K	200K	187K
8:30AM	Q4 Core PCE Prices QoQ Final	2%	2%	2%
10:00AM	Dec New Home Sales (ml)	0.664M	0.645M	0.59M
Friday, Jan 26				
8:30AM	Dec Core PCE Inflation (y/y) (%)	2.9%	3%	3.2%
8:30AM	Dec Core PCE (m/m) (%)	0.2%	0.2%	0.1%
10:00AM	Dec Pending Home Sales (%)	8.3%	1.5%	0%
Tuesday, Jan 30				
9:00AM	Nov FHFA Home Prices y/y (%)	6.6%		6.3%
9:00AM	Nov CaseShiller 20 mm nsa (%)	-0.2%		0.1%
9:00AM	Nov FHFA Home Price Index m/m (%)	0.3%		0.3%
9:00AM	Nov Case Shiller Home Prices-20 y/y (%)	5.4%	5.8%	4.9%
10:00AM	Dec USA JOLTS Job Openings	9.026M	8.75M	8.79M
Wednesday, Jan 31				
8:15AM	Jan ADP jobs (k)	107K	145K	164K
8:30AM	Treasury Refunding Announcement (%)			
8:30AM	Q4 Employment costs (%)	0.9%	1%	1.1%
9:45AM	Jan Chicago PMI	46	48	46.9
2:00PM	Fed Interest Rate Decision	5.5%	5.5%	5.5%
2:30PM	Fed Press Conference			
Thursday, Feb 01				
8:30AM	Jan/27 Jobless Claims (k)	224K	212K	214K
10:00AM	Jan ISM Manufacturing PMI	49.1	47	47.4
10:00AM	Dec Construction spending (%)	0.9%	0.5%	0.4%
Friday, Feb 02				
8:30AM	Jan Non Farm Payrolls	353K	180K	216K
8:30AM	Jan Unemployment rate mm (%)	3.7%	3.8%	3.7%
10:00AM	Jan Consumer Sentiment (ip)	79	78.9	69.7

Update: Buyer Broker Agreement

After requests from real estate companies, a nonprofit consumer watchdog group the Consumer Federation of America has developed a list of factors to consider when creating a buyer contract in preparation for upcoming practice changes in the industry.

CFA released its "Proposed Criteria for Evaluating Home Buyer Contract Forms" on Tuesday. The 15 criteria focus on the contracts' form – whether the documents are readable and understandable – and content – whether they are fair to homebuyers.

- the document's expiration date (CFA recommends buyers asks for a three-month contract and never sign one longer than six months)
- the right to terminate the contract
- the disclosure that compensation is negotiable
- the broker's compensation clearly stated and that the buyer broker can't receive additional compensation for facilitating a sale
- that any additional fees, such as for showing a home, will be deducted from the broker's commission if there is a successful sale
- that the commission is due only if there is a successful closing
- that buyers have an obligation – for no longer than 60 days, CFA recommends – to pay a broker who earlier showed them a home they purchased after the contract ended
- seller concessions paid directly to buyers
- dual agency not pre-approved by the contract
- an explanation of how a broker treats different buyer clients interested in the same property
- that buyers should not be required to first go through mediation or arbitration if they have a complaint

Contact me for more information. 702-303-0243 or TPayne@loandepot.com

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