



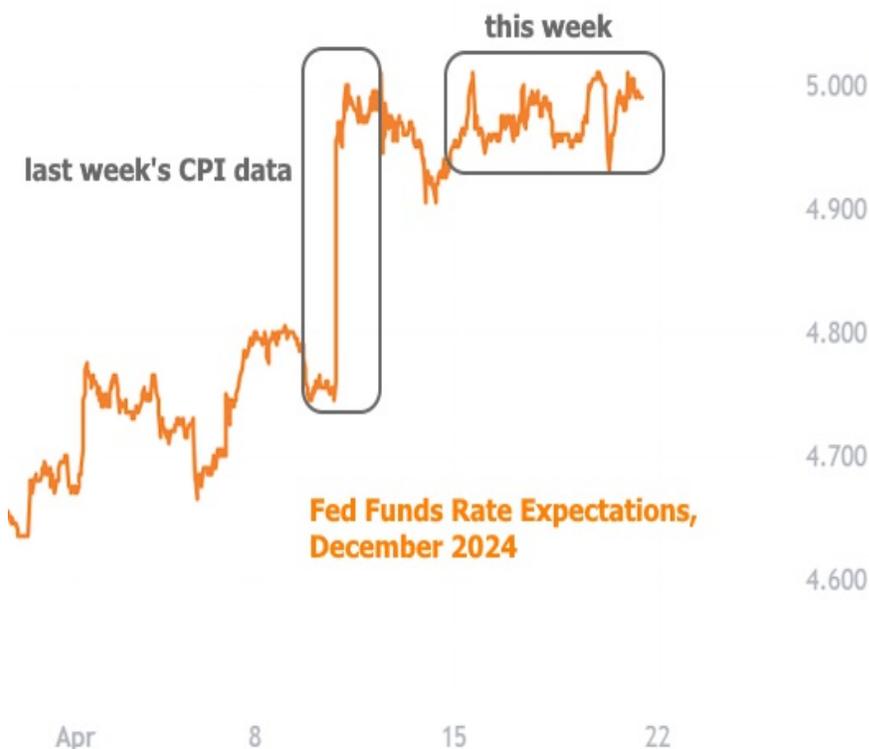
Tom Payne

Senior Loan Consultant, loanDepot
 NMLS# 1017004 #174457 Licensed in all 50 States
 2835 St. Rose Parkway, Suite 120 Henderson, NV 89052

Office: 702-303-0243
 Mobile: 702-303-0243
tompaynemortgage@gmail.com
[View My Website](#)

The Case of The Disappearing Rate Cuts

The Fed expected to be able to cut rates 3 times in 2024 as recently as March. Financial markets agreed. But the data that's come out since then has everyone singing a different tune. This week's data was more of an afterthought compared to last week's.



The chart above pertains to Fed rate expectations, and that's not exactly the same as longer term rates like mortgages and 10yr Treasury yields. The latter saw a bit more volatility this week.

Monday's Retail Sales data was much stronger than expected and markets reacted immediately. Tuesday's data was consequential, but it was followed by a speech in which Fed Chair Powell had an opportunity to provide some updated thoughts on the rate outlook. After all, the Fed hadn't seen the most recent CPI data (and several other strong reports) at the time the last round of rate projections came out in March.

National Average Mortgage Rates



	Rate	Change	Points
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	99.33	-0.07
MBS GNMA 5.5	99.74	-0.03
10 YR Treasury	4.2696	+0.0317
30 YR Treasury	4.4842	+0.0374

Pricing as of: 7/22 12:51PM EST

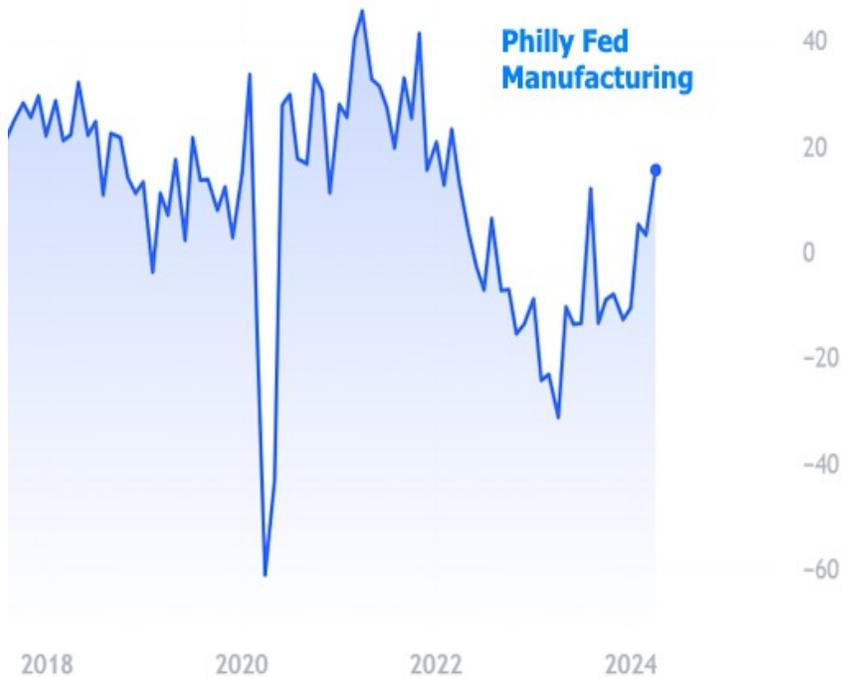
Recent Housing Data

		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%

As the market expected, the tone is evolving. While Powell and the Fed repeat that the rate path depends on economic data, it's no surprise to see recent comments acknowledging a surprising amount of strength in the recent data. Stronger data means fewer rate cuts. Powell went as far as saying there was new uncertainty as to whether the Fed will even be able to cut in 2024.

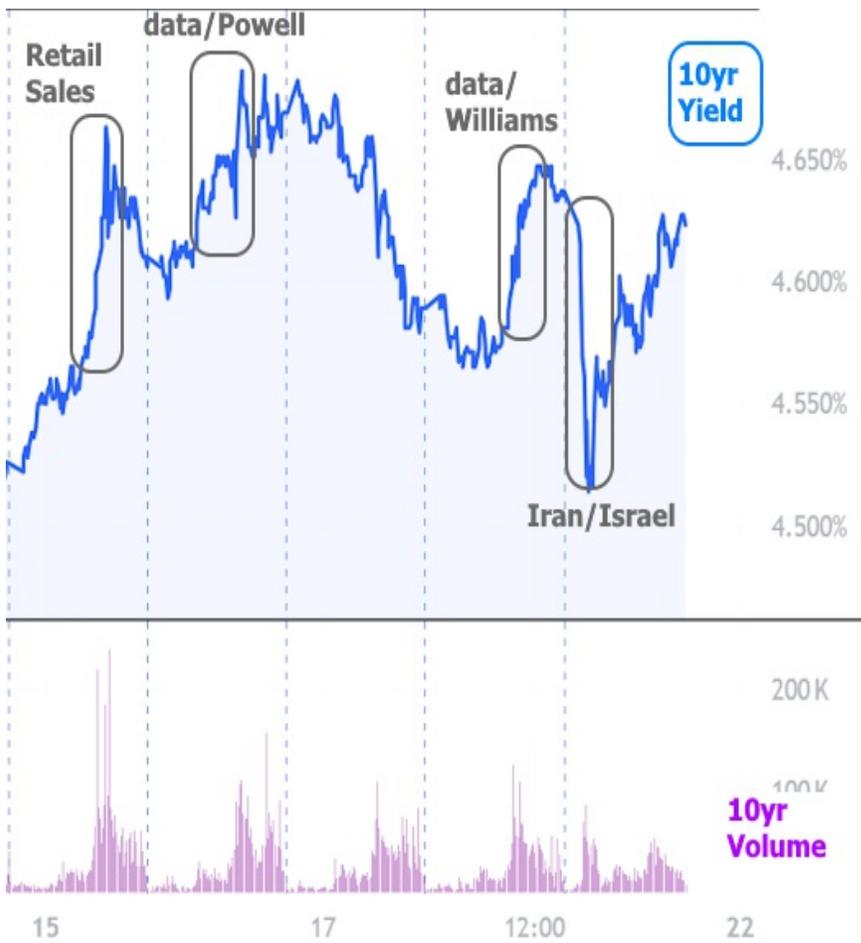
Two days later, NY Fed President John Williams struck similar tone. Just last week, he had pushed back on the CPI data, saying the Fed wasn't surprised by setbacks in the inflation data. This week's comments did more to acknowledge the other side of data dependency. Specifically, Williams said the Fed could hike again if the data called for it.

To be sure, these are not earth-shattering "ifs" and "thens." But the market hones in on the subtle differences with which the data dependency is communicated. It didn't help that Thursday morning's Philly Fed Manufacturing Index moved up to the highest levels in 2 years or that the "prices paid" component of the same report moved up much more than economists expected.

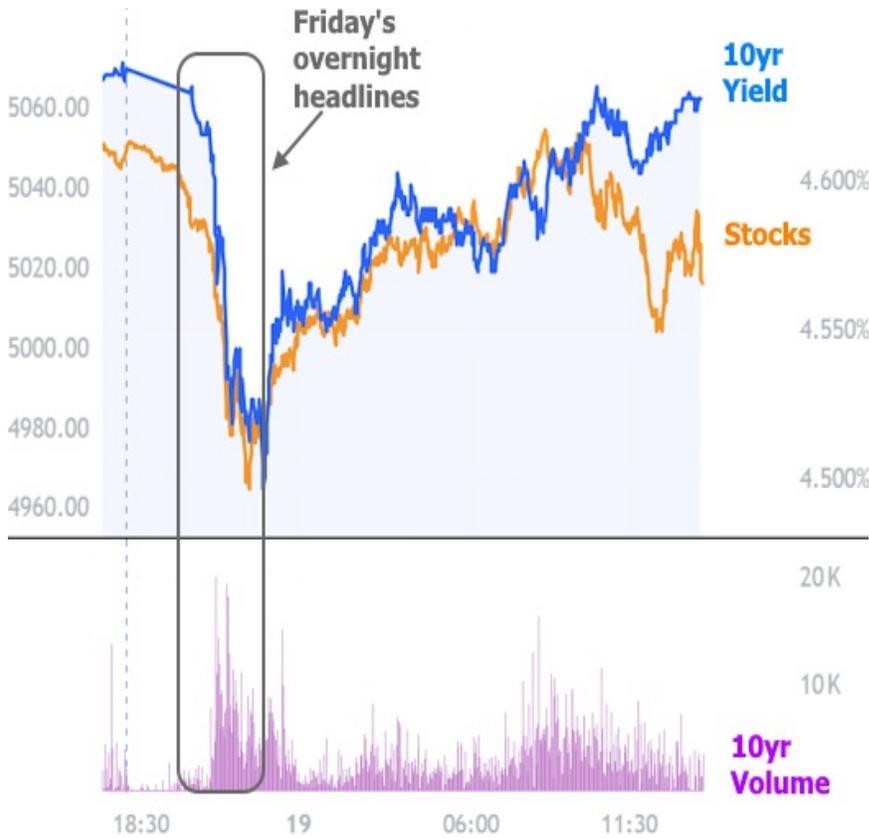




Here's how the entire week looked in terms of 10yr Treasury yields.



Friday's reaction to the attacks in Iran is important because it shows us that some geopolitical news is indeed worth a reaction. That was less clear earlier in the week as multiple batches of somewhat similar headlines failed to cause as much movement. The difference on Friday was the uncertainty over the status of Iran's nuclear sites as well as concern that it would be the catalyst for the outbreak of much more significant fighting. The market calmed down quite quickly once it was clear the nuclear sites were not damaged and that Iran was not retaliating. The correlation between stock prices and bond yields further confirms the "flight to safety" trading pattern commonly seen after such news.



In the bigger picture, the past 2 weeks have gone a long way toward making the end of 2023 look like yet another "false start" toward lower rates. Up until then, we had sort of a sideways fighting chance. While we have labeled late 2023 as the 3rd false start of this cycle, it wouldn't meet the purest definition until rates rise back above last October's highs. We're definitely not there yet and we won't know if we'll get there until we see the next round of big ticket economic data in May.

30yr Fixed Mortgage Rate Index



In the meantime, home sales remain constrained.



Next week's economic data is fairly muted apart from Friday's PCE price index. This isn't as much of a market mover as the Consumer Price Index (CPI), but it could certainly cause some volatility if it happens to send a different message.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Monday, Apr 15				
8:30AM	Mar Retail Sales (%)	0.7%	0.3%	0.6%
10:00AM	Feb Business Inventories (%)	0.4%	0.3%	0%
10:00AM	Apr NAHB housing market indx	51	51	51
Tuesday, Apr 16				
8:30AM	Mar Housing starts number mm (ml)	1.321M	1.48M	1.521M
8:30AM	Mar Building permits: number (ml)	1.458M	1.514M	1.524M
9:15AM	Mar Industrial Production (%)	0.4%	0.4%	0.1%
1:15PM	Fed Chair Powell Speech			
Wednesday, Apr 17				
7:00AM	Apr/12 MBA Refi Index	500.7		498.3
7:00AM	Apr/12 MBA Purchase Index	145.6		138.7
Thursday, Apr 18				
8:30AM	Apr Philly Fed Business Index	15.5	1.5	3.2
8:30AM	Apr Philly Fed Prices Paid	23.00		3.70
8:30AM	Apr/13 Jobless Claims (k)	212K	215K	211K
10:00AM	Mar Existing home sales (ml)	4.19M	4.2M	4.38M
Tuesday, Apr 23				
9:45AM	Apr S&P Global Services PMI	50.9	52	51.7
10:00AM	Mar New Home Sales (ml)	0.693M	0.668M	0.662M
Wednesday, Apr 24				
8:30AM	Mar Durable goods (%)	2.6%	2.5%	1.3%
1:00PM	5-Yr Note Auction (bl)	70		
Thursday, Apr 25				
8:30AM	Q1 GDP (%)	1.6%	2.5%	3.4%
10:00AM	Mar Pending Home Sales (%)	3.4%	0.3%	1.6%
1:00PM	7-Yr Note Auction (bl)	44		
Friday, Apr 26				
8:30AM	Mar Core PCE Inflation (y/y) (%)	2.8%	2.6%	2.8%
8:30AM	Mar Core PCE (m/m) (%)	0.3%	0.3%	0.3%
10:00AM	Apr Consumer Sentiment (ip)	77.2	77.8	79.4

Event Importance:

No Stars = Insignificant

☆ Low

★ Moderate

★★ Important

★★★ Very Important

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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