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The Upcoming Week Will Be Significantly More Volatile

In general, you should be skeptical any time someone says a future week will be more volatile. There's really no way to know such things in advance, but this time is an exception.

While we can't have any idea which **direction** rates will move next week, we can be sure that we'll see more volatility. Part of the reason is that the outgoing week would have been hard pressed to be any less volatile. For rates, it was largely an aimless drift apart from two offsetting reactions to calendar events on Thursday and Friday (highlighted below).



Thursday's sharper drop in bond yields followed a higher reading in the weekly Jobless Claims data. This was one of the only economic reports that came out this week. It showed an abnormally large change that resulted in the highest reading since August 2023. While this could prove to be an outlier, it got the market's attention in the morning.

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 | 99.29 | -0.11 |
| MBS GNMA 5.5 | 99.70 | -0.07 |
| 10 YR Treasury | 4.2726 | +0.0347 |
| 30 YR Treasury | 4.4880 | +0.0412 |

Pricing as of: 7/22 12:58PM 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% |



Thursday afternoon saw relatively strong at the scheduled auction of 30yr Treasury bonds. In general, strong auctions put downward pressure on yields/rates, all other things being equal. The present example was worth roughly the same amount of improvement as the Jobless Claims data.

While the bond market was already pushing back in the other direction on Friday morning, the Consumer Sentiment data kept things moving in the same unfriendly direction. This was not the usual case of stronger economic data pushing rates higher. In fact, headline consumer sentiment was much lower than expected.



Rather, it was a component of the report that measures consumers' inflation expectations. This came in much higher than expected, and higher inflation is a much bigger consideration for rates at the moment.



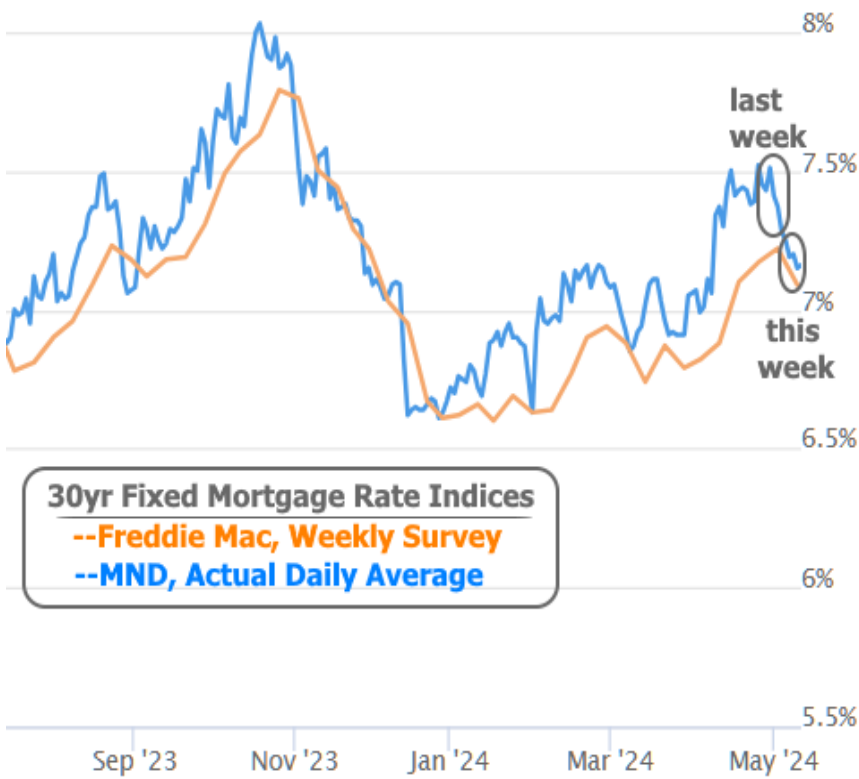
Who cares what consumers think about inflation anyway? It's not like they decide the price of "stuff." True as that may be, consumer expectations play a role in purchasing behavior which, in turn, influences demand-driven changes in inflation. It's not a perfect relationship, but there's strong general correlation over time.



But the inflation data everyone's waiting for is right around the corner, and this brings us to the other part of the reason that higher volatility is a lock for the coming week. On Wednesday, May 15th, the latest Consumer Price Index (CPI) will be released.

No other economic report has been as likely to cause big swings in financial markets recently. It is the first, broad, official look at inflation on any given month and, again, inflation is the biggest problem for rates these days.

Q1 inflation proved to be persistently higher than expected--a fact that coincides with interest rates moving up a fair amount from the lows seen at the end of 2023.



Some experts think the trend of elevated inflation will continue while others still expect it to start calming down any month now. With each new CPI, we get another chance to see a sign of a friendly shift. Granted, one month of data won't work any miracles, but the market is very sensitive to the mere possibility of a shift.

There will be other economic data as well, including Retail Sales and several housing related reports, but there is no doubt about the main event. Incidentally, both Retail Sales and CPI will be released at the same time, 8:30am ET, on Wednesday morning.

Subscribe to my newsletter online at: <http://housingnewsletters.com/thomaspayne>

Recent Economic Data

| Date | Event | Actual | Forecast | Prior |
|--------------------------|------------------------------|---------|----------|----------|
| Tuesday, May 07 | | | | |
| 1:00PM | 3-Yr Note Auction (bl) | 58 | | |
| 3:00PM | Mar Consumer credit (bl) | \$6.27B | \$15B | \$14.12B |
| Wednesday, May 08 | | | | |
| 7:00AM | May/03 MBA Refi Index | 477.5 | | 456.9 |
| 7:00AM | May/03 MBA Purchase Index | 144.2 | | 141.7 |
| Thursday, May 09 | | | | |
| 8:30AM | May/04 Jobless Claims (k) | 231K | 210K | 208K |
| 8:30AM | Apr/27 Continued Claims (ml) | 1785K | 1790K | 1774K |
| Friday, May 10 | | | | |

Event Importance:

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

| Date | Event | Actual | Forecast | Prior |
|--------------------------|-----------------------------------|--------|----------|--------|
| 10:00AM | May Consumer Sentiment (ip) | 67.4 | 76 | 77.2 |
| 10:00AM | May Sentiment: 1y Inflation (%) | 3.5% | 3.2% | 3.2% |
| Tuesday, May 14 | | | | |
| 8:30AM | Apr Core Producer Prices MM (%) | 0.5% | 0.2% | 0.2% |
| 8:30AM | Apr Core Producer Prices YY (%) | 2.4% | 2.4% | 2.4% |
| 10:00AM | Fed Chair Powell Speech | | | |
| Wednesday, May 15 | | | | |
| 8:30AM | Apr y/y CORE CPI (%) | 3.6% | 3.6% | 3.8% |
| 8:30AM | Apr m/m CORE CPI (%) | 0.3% | 0.3% | 0.4% |
| 8:30AM | Apr Retail Sales (%) | 0% | 0.4% | 0.7% |
| 10:00AM | May NAHB housing market indx | 45 | 51 | 51 |
| Thursday, May 16 | | | | |
| 8:30AM | Apr Import prices mm (%) | 0.9% | 0.3% | 0.4% |
| 8:30AM | Apr Housing starts number mm (ml) | 1.36M | 1.42M | 1.321M |
| 8:30AM | Apr Building permits: number (ml) | 1.440M | 1.48M | 1.467M |
| 8:30AM | May Philly Fed Business Index | 4.5 | 8 | 15.5 |
| 8:30AM | May/11 Jobless Claims (k) | 222K | 220K | 231K |
| 9:15AM | Apr Industrial Production (%) | 0% | 0.1% | 0.4% |
| Wednesday, Jul 10 | | | | |
| 1:00PM | 10-yr Note Auction (bl) | 39 | | |
| Thursday, Jul 11 | | | | |
| 1:00PM | 30-Yr Bond Auction (bl) | 22 | | |

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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