



Tom Payne

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

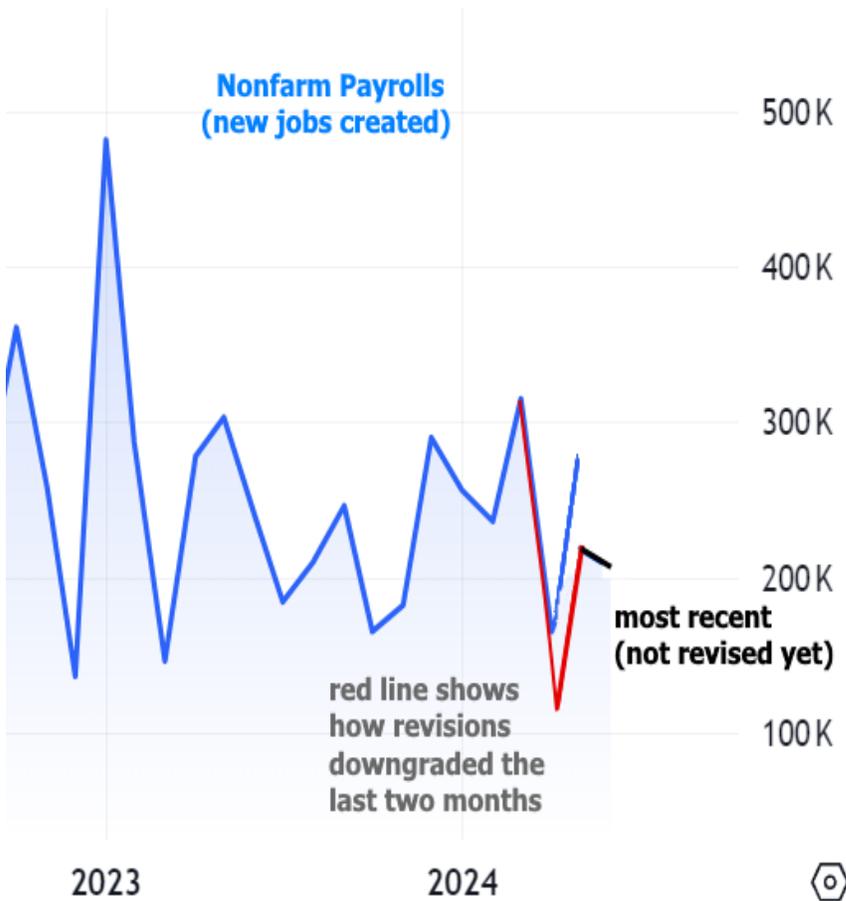
Office: 702-303-0243
 Mobile: 702-303-0243
tompaynemortgage@gmail.com
[View My Website](#)

Economic Data Building a Case For Rate Cuts

It may have been a shorter week than normal due to the holiday, but it was no less important with several economic reports adding to the case for rate cuts.

The first week of any given month typically hosts the same group of economic reports. Several of these have a strong track record of causing volatility for rates. Friday's jobs report is the perennial top dog, but the impact on rates depends on how far the results fall from forecasts.

In the current case, the job count was actually right in line with forecasts (a hair higher, actually). That would normally be bad for rates, but there were several offsetting factors. Chief among these were the large downward revisions to the job count (officially "nonfarm payrolls") from the past two reports.



National Average Mortgage Rates



| | Rate | Change | Points |
|----------------------------|-------|--------|--------|
| Mortgage News Daily | | | |
| 30 Yr. Fixed | 6.89% | +0.08 | 0.00 |
| 15 Yr. Fixed | 6.32% | +0.02 | 0.00 |
| 30 Yr. FHA | 6.32% | +0.04 | 0.00 |
| 30 Yr. Jumbo | 7.05% | +0.02 | 0.00 |
| 5/1 ARM | 6.58% | -0.01 | 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: 7/19

Market Data

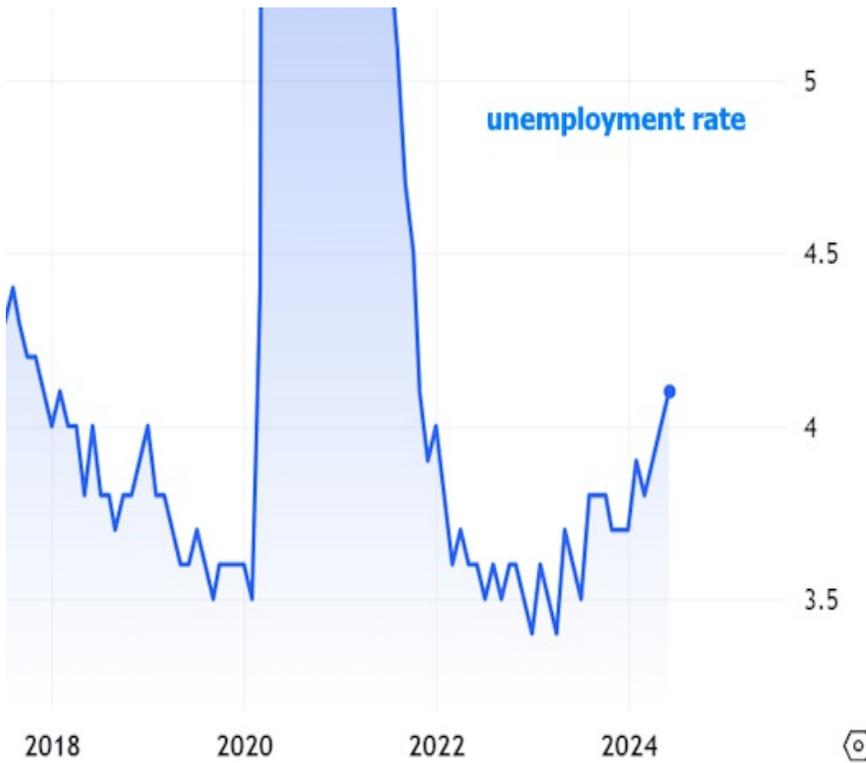
| | Price / Yield | Change |
|----------------|---------------|---------|
| MBS UMBS 5.5 | 99.47 | +0.07 |
| MBS GNMA 5.5 | 99.86 | +0.09 |
| 10 YR Treasury | 4.2228 | -0.0151 |
| 30 YR Treasury | 4.4296 | -0.0172 |

Pricing as of: 7/22 11:13AM EST

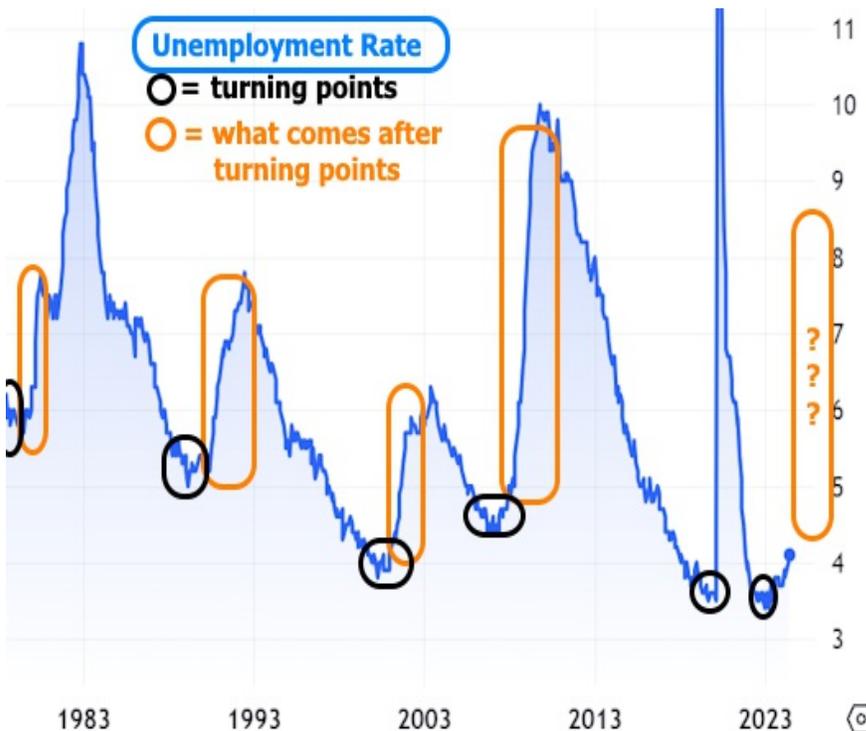
Recent Housing Data

| | | 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% |

It may not look like much on a chart, but this change is enough to make the recent trend look more like a labor market that's cooling off as opposed to one that's displaying mysterious resilience. In addition to the headline job count, the unemployment rate also ticked higher, nearly reaching a level that some economists consider to be high-probability evidence of a recession.



To understand why economists might view this sort of parabolic bottoming to be an excellent indicator of trouble ahead, just consider what typically happens next (visualized in the following chart).



Of course the jobs report is only one piece of data and the unemployment rate is only one component. Moreover, one could argue that if any moment in economic history has a chance to buck longer-term trends, the past 2 years are high on the list. But that's why we look at other economic data too!

Of the week's other reports, the service sector index from ISM has the strongest track record of getting the market's attention. Not only was that true this time, but ISM actually had just as big of an impact as Friday's jobs report.

ISM doesn't usually hit nearly as hard as the jobs report, but this anomaly was fairly easy to reconcile with this particular ISM report being exceptionally weak. In fact, if we throw out the initial covid lockdowns, this was the weakest ISM Services report since the Great Financial Crisis recession.

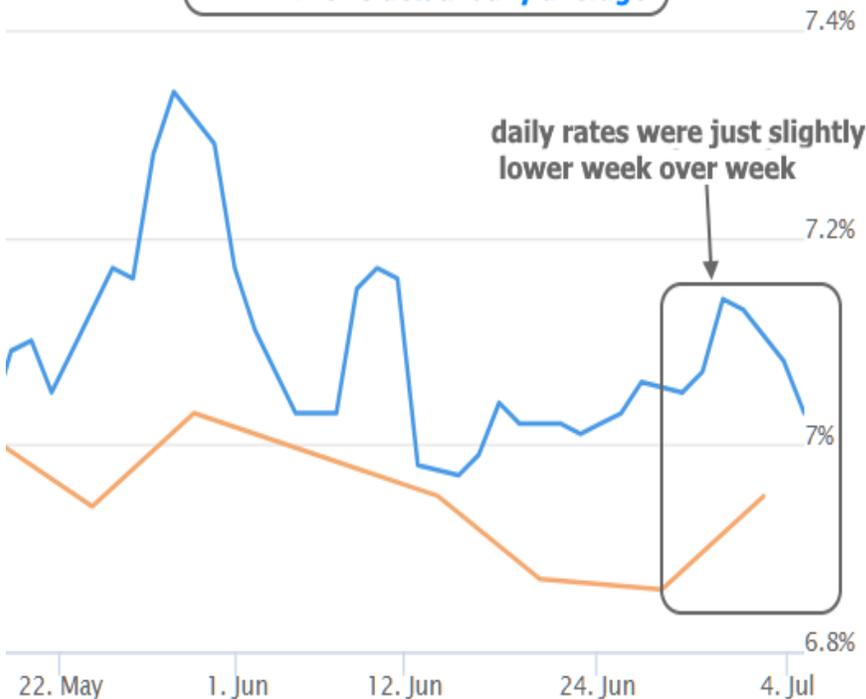


Taken together, both ISM and the jobs report painted a picture of an economy that is showing more conclusive signs of a slowdown. This is one of the things the Fed wants to see in order to feel more confident about rate cuts. As such, financial markets adjusted yields accordingly, erasing the rate spike that began last Friday.

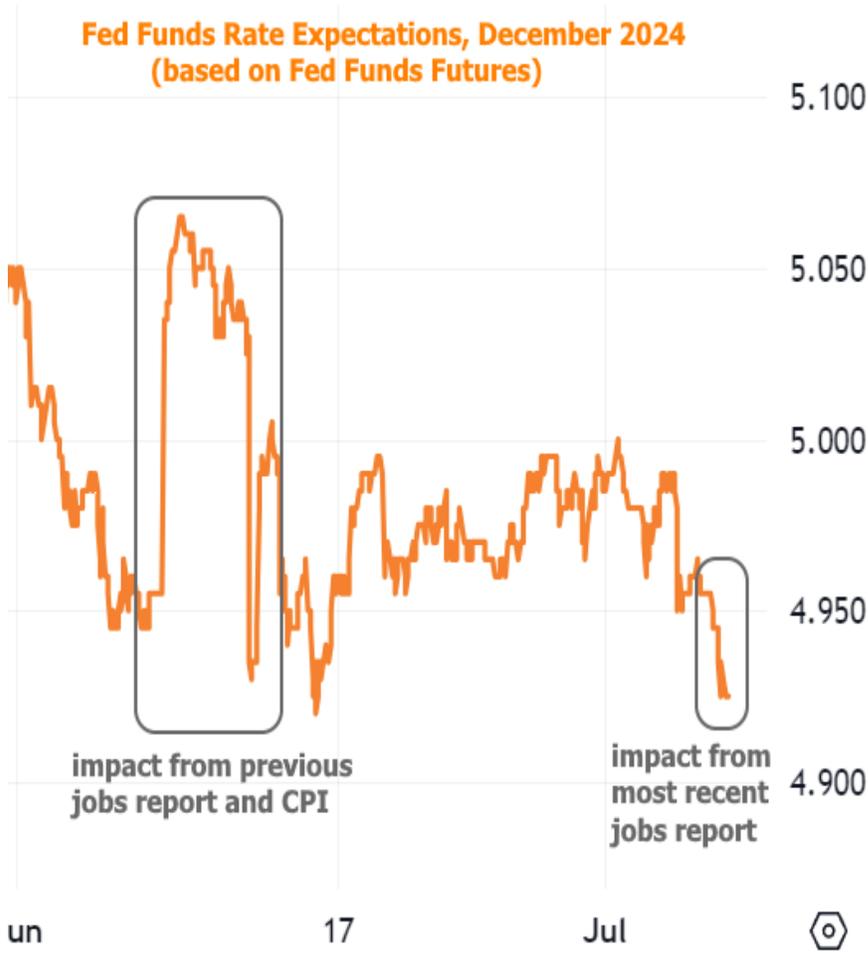


"Yield" is another term for "rate." When bond yields fall, so do mortgage rates. The same was true this week, but many headlines disagreed because they were based on Freddie Mac's weekly rate survey. Freddie's methodology meant that last week's rate spike wasn't counted until the present week. Moreover, Friday's improvement won't be counted until next week. The daily tracking from Mortgage News Daily shows the real story.

30yr fixed mortgage rate indices
 - Freddie Mac, weekly survey
 - MND.News actual daily average



As for Fed Funds Rate expectations, there was certainly a response, but it wasn't nearly as big as the response seen to the last jobs report and the subsequent Consumer Price Index (CPI).



Part of that has to do with the outright level of expectations being just below 5% for the end of the year. That means the market sees at least one and possibly two rate cuts. It would be a big deal for traders to bet on much more than that without confirmation from another rate-friendly CPI report.

With that in mind, the next release of monthly CPI data will be this coming Thursday morning! As always, keep in mind that there is no way to know which side of the consensus will win, only that a big difference between reality and forecasts will almost certainly produce a big move.

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

Recent Economic Data

| Date | Event | Actual | Forecast | Prior |
|------------------------|---------------------------|--------|----------|-------|
| Monday, Jul 01 | | | | |
| 10:00AM | Jun ISM Manufacturing PMI | 48.5 | 49.1 | 48.7 |
| 10:00AM | Jun ISM Mfg Prices Paid | 52.1 | 55.9 | 57.0 |
| Tuesday, Jul 02 | | | | |

Event Importance:

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

| Date | Event | Actual | Forecast | Prior |
|--------------------------|---------------------------------|--------|----------|--------|
| 9:30AM | Fed Chair Powell Speech | | | |
| 10:00AM | May USA JOLTS Job Openings | 8.14M | 7.91M | 8.059M |
| Wednesday, Jul 03 | | | | |
| 7:00AM | Jun/28 MBA Refi Index | 544.1 | | 552.4 |
| 7:00AM | Jun/28 MBA Purchase Index | 142.9 | | 147.8 |
| 8:15AM | Jun ADP jobs (k) | 150K | 160K | 152K |
| 8:30AM | Jun/29 Jobless Claims (k) | 238K | 235K | 233K |
| 8:30AM | Jun/22 Continued Claims (ml) | 1858K | 1840K | 1839K |
| 10:00AM | Jun ISM N-Mfg PMI | 48.8 | 52.5 | 53.8 |
| 10:00AM | Jun ISM Services Prices | 56.3 | 56.7 | 58.1 |
| Friday, Jul 05 | | | | |
| 8:30AM | Jun Average earnings mm (%) | 0.3% | 0.3% | 0.4% |
| 8:30AM | Jun Unemployment rate mm (%) | 4.1% | 4% | 4% |
| 8:30AM | Jun Non Farm Payrolls | 206K | 190K | 272K |
| Tuesday, Jul 09 | | | | |
| 10:00AM | Fed Chair Powell Testimony | | | |
| Wednesday, Jul 10 | | | | |
| 10:00AM | Fed Chair Powell Testimony | | | |
| 1:00PM | 10-Year Note Auction | 4.276% | | 4.438% |
| Thursday, Jul 11 | | | | |
| 8:30AM | Jun y/y CORE CPI (%) | 3.3% | 3.4% | 3.4% |
| 8:30AM | Jun m/m CORE CPI (%) | 0.1% | 0.2% | 0.2% |
| 1:00PM | 30-Yr Bond Auction (bl) | 22 | | |
| Friday, Jul 12 | | | | |
| 8:30AM | Jun Core Producer Prices MM (%) | 0.4% | 0.2% | 0% |
| 8:30AM | Jun Core Producer Prices YY (%) | 3% | 2.5% | 2.3% |
| 10:00AM | Jul Consumer Sentiment (ip) | 66.0 | 68.5 | 68.2 |

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

We are a direct nationwide lender.
EQUAL HOUSING LENDER

Tom Payne

