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Very Calm Week For Rates, Despite Hitting New 6 Month Low

While much of this week's news cycle was focused on politics, it was business as usual for the bond market and interest rates. At this time of year, that business often involves a lack of major movement outside the days with the most highly consequential economic data.

To be fair, there were a few economic reports that have at least some track record of inspiring market movement, but they weren't up to the task this week. The best hope on the data front was Tuesday's Retail Sales report. Although it was in line with expectations overall, one of its closely-watched components (which excludes autos and gas) rose to match the highest level this year.



In the market's defense, bond yields--a proxy for mortgage rates--moved higher initially, but then proceeded to drop to the week's lowest levels in 4 months by the end of the day. Rates fell again on Wednesday and then moved gradually higher through the end of the week.

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	99.44	+0.04
MBS GNMA 5.5	99.89	+0.12
10 YR Treasury	4.2160	-0.0219
30 YR Treasury	4.4203	-0.0265

Pricing as of: 7/22 10:47AM 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 interesting as the chart above may look in the short term, it's much less interesting when removed from the microscope.



A lack of excitement shouldn't be all that surprising, given that we are waiting on final confirmation that inflation has fallen enough for the Fed to cut rates and/or that the labor market isn't mysteriously surging. Those revelations are most closely linked to economic reports that won't come out for several more weeks as far as the market is concerned.

In the meantime, we have comments from numerous Fed speakers who all offered different versions of the same thought: recent data shows welcome progress on inflation and that means we're getting closer to it being the right time to cut rates.

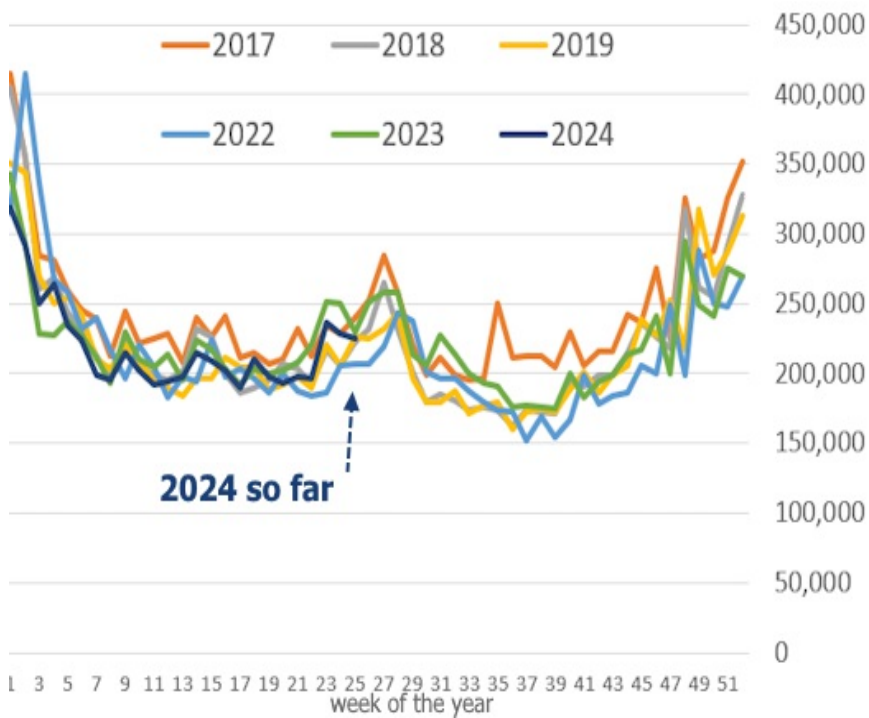
We can also watch other economic reports that play supporting roles for the headliners due out in early August. For instance, investors tune into weekly Jobless Claims data to get a sense of how the big monthly jobs report might look. It's far from a perfect science, but a noticeable shift in the trend is generally worth a market reaction.

With that in mind, one could argue that there's been a recent shift toward higher jobless claim numbers.



This week's reading was among the highest since last summer in addition to being meaningfully higher than economists' forecasts. But while the chart above makes it seem like something is changing, the chart below disagrees. It is the same data. The only difference is that the chart below is not seasonally adjusted.

Jobless Claims by Year, Not Seasonally Adjusted



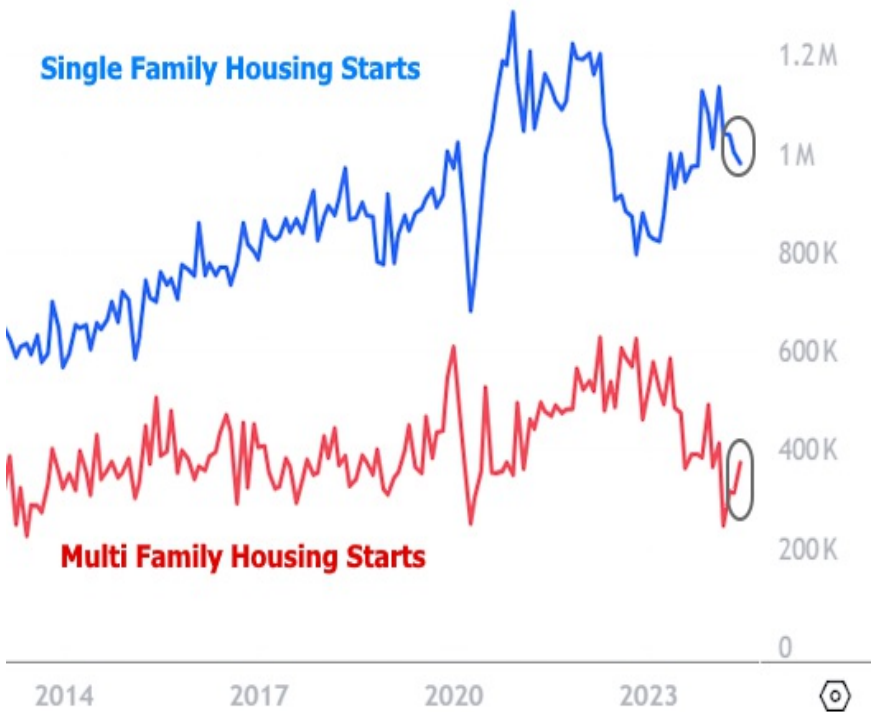
Seasonal adjustments are neither good nor bad. They usually help smooth out data that would otherwise be harder to interpret. In the case of jobless claims, however, the mid-summer seasonal adjustments are possibly in need of--well--an adjustment. By looking at the pure, non-adjusted numbers, we can see that 2024's path of jobless claims is right in line with 5 other recent years (2020 and 2021 were thrown out because they'd look completely out of place due to lockdown/pandemic-related distortions).

All that to say that it is not yet a foregone conclusion that the labor market is losing enough steam to suggest the Fed accelerate its rate cut plans.

While it's not a big market mover, this week also brought data of potential interest to those in the housing/mortgage markets. Residential Construction numbers were reported for the month of June, showing a slightly higher pace of permitted homes and those entering the construction phase (officially, "housing starts").



The potentially confusing part of the construction data is that both single and multifamily construction are reported in the headline even though they're often telling different stories. According to single family starts, construction is beginning to cool after more than a year of solid improvement. Multifamily starts were at the highest levels in decades at the end of 2022, and have gradually been declining since then. June's improvement is "nice," but still well within the prevailing downtrend.



For all of the lack of drama in the data and the bond market, it was still a technically interesting week for mortgage rates--not because there was any big improvement from last week--but rather because the modest improvement meant that we technically hit another 6 month low. Rates were lowest on Wednesday afternoon or Thursday morning, depending on the lender, but had risen to the highest levels of the week by Friday.

30yr fixed mortgage rate indices 7.75%

-Freddie Mac, weekly survey

-MND.News, actual daily avg



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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Monday, Jul 15				
8:30AM	Jul NY Fed Manufacturing	-6.60	-6	-6.00
Tuesday, Jul 16				
8:30AM	Jun Retail Sales (%)	0%	0%	0.1%
8:30AM	Jun Import prices mm (%)	0%	0.2%	-0.4%
8:30AM	Jun Export prices mm (%)	-0.5%	-0.1%	-0.6%
10:00AM	Jul NAHB housing market indx	42	44	43
Wednesday, Jul 17				
7:00AM	Jul/12 MBA Purchase Index	140.4		144.3
7:00AM	Jul/12 MBA Refi Index	613.0		532.3
8:30AM	Jun Housing starts number mm (ml)	1.353M	1.30M	1.277M
8:30AM	Jun Building permits: number (ml)	1.446M	1.40M	1.399M
9:15AM	Jun Industrial Production (%)	0.6%	0.3%	0.7%
Thursday, Jul 18				
8:30AM	Jul/13 Jobless Claims (k)	243K	230K	222K
8:30AM	Jul Philly Fed Business Index	13.9	2.9	1.3
10:00AM	Jun CB Leading Index MoM (%)	-0.2%	-0.3%	-0.5%

Event Importance:

No Stars = Insignificant

☆ Low

★ Moderate

★★ Important

★★★ Very Important

Upcoming Economic Data

Date	Event	Forecast	Prior
Tuesday, Jul 23			
10:00AM	Jun Existing home sales (ml) ☆	3.99M	4.11M
Wednesday, Jul 24			
8:30AM	Jun Wholesale inventories mm (%) ☆	0.5%	0.6%
9:45AM	Jul S&P Global Manuf. PMI ☆	51.7	51.6
9:45AM	Jul S&P Global Services PMI ★★	54.4	55.3
10:00AM	Jun New Home Sales (ml) ☆	0.64M	0.619M
Thursday, Jul 25			
8:30AM	Jun Durable goods (%) ☆	0.4%	0.1%
8:30AM	Q2 GDP (%) ★	1.9%	1.4%
8:30AM	Q2 Core PCE Prices QoQ Final ☆	2.7%	3.7%
8:30AM	Jul/20 Jobless Claims (k) ☆	239K	243K
Friday, Jul 26			
8:30AM	Jun Core PCE (m/m) (%) ★★	0.1%	0.1%
8:30AM	Jun Core PCE Inflation (y/y) (%) ★	2.5%	2.6%
10:00AM	Jul Consumer Sentiment (ip) ☆	66.5	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

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