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Will Mortgage Rates Fall Thanks to a New Fed Chair?

With the announcement that Trump nominated Kevin Warsh to be the new Fed Chair, there's a lot of misinformation and speculation making the rounds regarding the potential impact on mortgage rates. Let's clear it up.

Who is Warsh and why do people think he could be good for rates?

Frankly, it doesn't matter who Warsh is. The President has been unwavering in his intention to appoint a Fed Chair who is more amenable to additional rate cuts compared to outgoing Fed Chair Powell. As such, the core question is about whether a rate-friendly Fed Chair will be good for rates.

Would mortgage rates benefit from additional Fed rate cuts?

No. A Fed rate cut, in and of itself, does nothing to help longer term rates like mortgages. By the time the Fed cuts, the factors supporting that cut have long since been traded into the bonds that underlie longer term rates. This is why there's typically broad correlation between the Fed Funds Rate and longer term rates despite stark examples of counterintuitive movement by the time the Fed actually cuts.

If you haven't read our primer on the topic, here it is.

Then why does everyone talk like Fed rate cuts would help mortgage rates?

Because they are wrong. Seriously... Just show them this chart of what happened in late 2024 when mortgage rates hit long-term lows on Tuesday, September 17th--a day before the Fed cut rates for the first time in years. Mortgage rates vaulted appreciably higher over the next several months, even as the Fed continued cutting rates.

National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.17%	0.00	0.00
15YR Fixed	6.83%	+0.03	0.00
30YR FHA	6.82%	+0.02	0.00
30YR Jumbo	7.38%	+0.01	0.00
7/6 SOFR	6.50%	-0.16	0.00
30YR VA	6.84%	+0.02	0.00

Rates as of: 11/6

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	100.31	-0.04
10 YR Treasury	4.8625	+0.0273
30 YR Treasury	5.2640	+0.0085

Pricing as of: 11/6 5:59PM EST

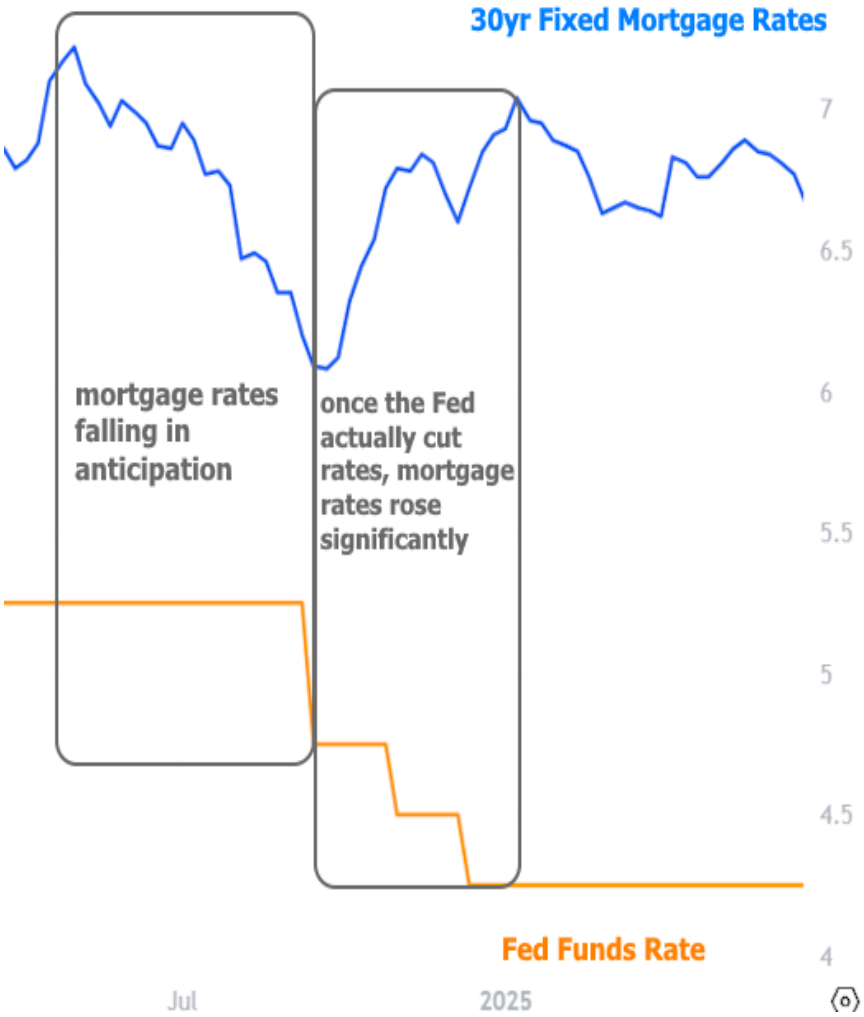
Recent Housing Data

		Value	Change
Mortgage Apps	Oct 28	192.6	-1.23%
Building Permits	Sep	1.4M	+0.43%
Housing Starts	Sep	1.22M	-4.24%
New Home Sales	Sep	676K	-1.17%
Pending Home Sales	Aug	71.2	0%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Oct	29	-9.38%

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But seriously, I hear/think/feel that there will be renewed downward pressure in interest rates across the board once this new Fed Chair is running the show.

There's no viable way you can know this ahead of time. You can only assume (as we all do) that the new Fed Chair will be that much more willing to cut the Fed Funds Rate compared to the last Fed Chair. As discussed in the primer linked above, the Fed Funds Rate is not the same as a mortgage rate.

But let's assume you are right. At that point, you would need to consider efficient market principles. In other words, if your outlook is informed by sources that are available to others, then the market can trade that outlook accordingly. Traders in the bond market would lose a lot of money if they sat on their hands in spite of knowledge that mortgage rates would fall with any degree of certainty in the future.

When such certainties exist, traders trade accordingly and interest rates reflect those changes in real time (or by the end of the business day in the case of mortgage rates). Simply put, if you can know it, so can bond traders, and it is a foregone conclusion they will trade accordingly. Bottom line: any tactical advantage you thought you had based on what you think is going to happen has already been wiped out by the fact that you can't kindly ask traders to wait to act on the same information.

I'm tired of arguing with you. Did anything interesting happen this week?

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Thursday was the most interesting day when it comes to mortgage rates and market movement. There were three employment-related economic reports that painted a more downbeat picture for the labor market. Bonds/rates love bad news, so it ended up being the best day of the week for mortgage rates.



To be sure, part of the reaction was fueled by positioning ahead of next Wednesday's jobs report (the biggest and most important labor market report of any given month). If that jobs report confirms the contraction, rates could continue lower--possibly flirting with the long-term lows seen in January. On the other hand, if the jobs report is merely in line with expectations, that could erase part of the improvement seen this week. And if the data is markedly stronger, rates would almost certainly be moving up to the highest levels since December.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Monday, Feb 02				
10:00AM	Jan ISM Manufacturing PMI	52.6	48.5	47.9
Wednesday, Feb 04				
7:00AM	Jan/30 MBA Refi Index	1269.7		1332.2
7:00AM	Jan/30 MBA Purchase Index	165.4		193.3
8:15AM	Jan ADP jobs (k)	22K	48K	41K
10:00AM	Jan ISM N-Mfg PMI	53.8	53.5	54.4
10:00AM	Jan ISM Services Employment	50.3	52.3	52.0
Thursday, Feb 05				
7:30AM	Jan Challenger layoffs (k)	108.435K		35.553K

Event Importance:

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

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Date	Event	Actual	Forecast	Prior
8:30AM	Jan/31 Jobless Claims (k)	231K	212K	209K
10:00AM	Dec USA JOLTS Job Openings (ml)	6.542M	7.2M	7.146M
Friday, Feb 06				
10:00AM	Feb Sentiment: 1y Inflation (%)	3.5%		4%
10:00AM	Feb Consumer Sentiment (ip)	57.3	55	56.4
Tuesday, Feb 10				
8:30AM	Q4 Employment costs (%)	0.7%	0.8%	0.8%
10:00AM	Nov Business Inventories (%)	0.1%	0.2%	0.3%
1:00PM	3-Yr Note Auction (bl)	58		
Wednesday, Feb 11				
8:30AM	Jan Unemployment rate mm (%)	4.3%	4.4%	4.4%
8:30AM	Jan Non Farm Payrolls (k)	130K	70K	50K
Thursday, Feb 12				
8:30AM	Feb/07 Jobless Claims (k)	227K	222K	231K
10:00AM	Jan Existing home sales (ml)	3.91M	4.18M	4.35M
1:00PM	30-Year Bond Auction	4.750%		4.825%
Friday, Feb 13				
8:30AM	Jan m/m CORE CPI (%)	0.3%	0.3%	0.2%
8:30AM	Jan y/y CORE CPI (%)	2.5%	2.5%	2.6%
Wednesday, Apr 08				
1:00PM	10-yr Note Auction (bl)	39		

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Introducing Montana Mortgage Partners!

I am excited to announce I have partnered with 3 industry experts, Annika Harris, Lindsay Kinniburgh, and Amanda Kneeland to open Montana Mortgage Partners! In my 18 years of being a local Real Estate Lender, Investor, and Developer I have experienced the full spectrum of changes in the lending industry and in our market. As the industry changes as must we to be confident we are able to offer the best products and service with the most competitive terms possible. A mortgage is an investment, and we have all the tools and more to assure your investment is the best fit for your long term financial goals. Feel free to reach out at any time to explore everything we have to offer or chat about how I may be able to add value to your business.

Cheers!

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