

Black Diamond

Mortgage Professionals, Black Diamond Mortgage Corporation NMLS 209137 106 2nd Street East Whitefish, MT 59937 Office: 4068624999 david@blackdiamondmortgage.com

Cooler Inflation Prompts Big Shift in Rate Outlook

The Consumer Price Index (CPI) is one of two big, monthly economic reports that have the strongest track records of causing volatility for rates. This makes sense considering inflation is the primary reason rates are as high as they are.

Other economic data matters too. The other big report is the Employment Situation, typically referred to as "the jobs report." It was responsible for continuing what had already been a big drop in rates 2 weeks ago. But after that, there wasn't anything major on the calendar until this week's CPI. As such, that left a lot of room for anticipation.

Many times, that sort of anticipation proves overdone and reality ends up being less volatile, but this was not one of those times. The following chart shows the interest rate reaction in terms of 10yr Treasury yields, which tend to move much like mortgage rates over time. Treasuries give us a timely way to observe intraday momentum in the bond market.

National Average Mortgage Rates



	Rate	Change	Points	
Mortgage News Daily				
30 Yr. Fixed	7.09%	+0.07	0.00	
15 Yr. Fixed	6.56%	+0.03	0.00	
30 Yr. FHA	6.62%	+0.07	0.00	
30 Yr. Jumbo	7.35%	+0.04	0.00	
5/1 ARM	7.30%	+0.06	0.00	
Freddie Mac				
30 Yr. Fixed	7.02%	-0.42	0.00	
15 Yr. Fixed	6.28%	-0.48	0.00	
Rates as of: 5/17				

Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.35	-0.05
MBS GNMA 6.0	100.73	-0.04
10 YR Treasury	4.4453	+0.0230
30 YR Treasury	4.5849	+0.0239
Pricing as of: 5/20 10:18AM EST		

Recent Housing Data

		Value	Change
Mortgage Apps	May 15	198.1	+0.51%
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%

© 2024 MBS Live, LLC. - This newsletter is a service of MarketNewsletters.com.

The interest rates provided in this newsletter are national averages from independent data sources. Rate/APR terms may differ from those listed above based on the creditworthiness of the borrower. All information provided "as is" for informational purposes only, not intended for trading purposes or financial advice.



In other words, CPI accounted for even more movement in yields (another word for "rates") as well as the trading volume of the underlying bonds. This reaction is made all the more stunning by the fact that CPI was nowhere near as surprising as the jobs report in terms of reality versus forecasts.

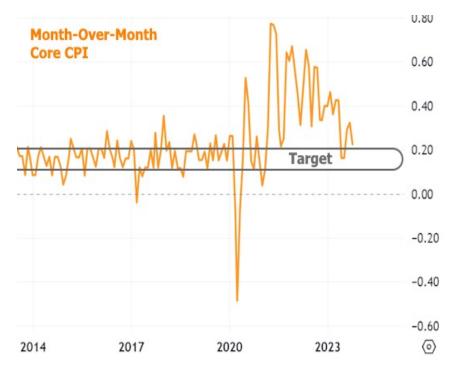
The Fed wants to see core inflation (a more stable metric that excludes food and energy) at 2% year-over-year. We're currently still over 4%, but heading in the right direction.



^{*}applies only to the orange line

The investors driving these sorts of big reactions in the bond market are instead looking at month-over-month numbers to better gauge the progress. After all, if we have several months of 0.17% core inflation, that would ultimately add up to 2.0% annually.

There's no question that progress is more apparent in the monthly numbers, but target levels were only achieved briefly a few months ago and this week's result was actually a bit higher than target.



 $@\ 2024\,MBS\,Live, LLC.-This \,newsletter\,is\,a\,service\,of\,\underline{MarketNewsletters.com.} \\$

The interest rates provided in this newsletter are national averages from independent data sources. Rate/APR terms may differ from those listed above based on the creditworthiness of the borrower. All information provided "as is" for informational purposes only, not intended for trading purposes or financial advice.

Read or subscribe to my newsletter online at: http://housingnewsletters.com/blackdiamondmortgage

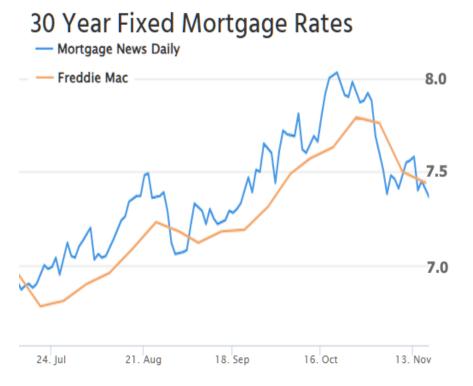
So what's up with the big reaction in the bond market? It's all about expectations versus reality. If traders are pretty sure that economic data will come in at a certain level, they'd be foolish to wait for the report to come out. The median forecast among hundreds of economists serves as a consensus for traders until the actual numbers come out. If reality is better or worse than the consensus, the market reacts accordingly.

Because the consensus is already factored into bond market trading levels, we often see big ticket economic data come in very close to forecasts without any major market reaction. Arguably, this week's CPI fit the bill with the core month-overmonth reading at 0.2% versus a consensus of 0.3%. So why the big reaction?

On one hand, we can consider that traders were simply planning on moving in one direction or the other given that this CPI was in a position to cast an important vote on the recent shift in the bond market.

Those who want to dig deeper for cause and effect might consider that some key internal components of the report spoke to progress in areas where progress has been slow to materialize. Specifically, the housing component fell from a 0.6% pace last month to a 0.3% pace in the current report. It remains one of the key factors keeping inflation above target, so the progress is good news for rates.

Mortgage rates, specifically, are in line with their lowest levels since mid-September



But these are merely the first steps of a longer journey. The chart below provides good reminders that rates have appeared to have turned a corner in the big picture several times only to resume an upward march.

© 2024 MBS Live, LLC. - This newsletter is a service of MarketNewsletters.com.

The interest rates provided in this newsletter are national averages from independent data sources. Rate/APR terms may differ from those listed above based on the creditworthiness of the borrower. All information provided "as is" for informational purposes only, not intended for trading purposes or financial advice.



In the cases of the previous false starts, it was a rebound in inflation and economic growth that caused the rate reversal. Bottom line: we'll need to continue seeing data like this week's CPI in order for things to be different this time. On that note, the next round of important data won't arrive until the first full week of December. That means rates may be less interested in big moves higher or lower between now and then.

Subscribe to my newsletter online at: http://housingnewsletters.com/blackdiamondmortgage

Recent Economic Data

Date	Event	Actual	Forecast	Prior
Tuesday, N	lov 14			
8:30AM	Oct m/m Headline CPI (%)	0%	0.1%	0.4%
8:30AM	Oct y/y CORE CPI (%)	4%	4.1%	4.1%
8:30AM	Oct m/m CORE CPI (%)	0.2%	0.3%	0.3%
8:30AM	Oct y/y Headline CPI (%)	3.2%	3.3%	3.7%
Wednesday, Nov 15				
7:00AM	Nov/10 MBA Purchase Index	133.2		129
7:00AM	Nov/10 MBA Refi Index	354.3		347.3
8:30AM	Nov NY Fed Manufacturing	9.1	-2.8	-4.6
8:30AM	Oct Core Producer Prices MM (%)	0%	0.3%	0.3%
8:30AM	Oct Core Producer Prices YY (%)	2.4%	2.7%	2.7%

Event Importance:

© 2024 MBS Live, LLC. - This newsletter is a service of MarketNewsletters.com.

The interest rates provided in this newsletter are national averages from independent data sources. Rate/APR terms may differ from those listed above based on the creditworthiness of the borrower. All information provided "as is" for informational purposes only, not intended for trading purposes or financial advice.

Date	Event	Actual	Forecast	Prior
8:30AM	Oct Retail Sales (%)	-0.1%	-0.3%	0.7%
10:00AM	Sep Business Inventories (%)	0.4%	0.4%	0.4%
Thursday,	Nov 16			
8:30AM	Oct Import prices mm (%)	-0.8%	-0.3%	0.1%
8:30AM	Oct Export prices mm (%)	-1.1%	-0.5%	0.7%
8:30AM	Nov/11 Jobless Claims (k)	231K	220K	217K
8:30AM	Nov Philly Fed Business Index	-5.9	-9	-9
8:30AM	Nov Philly Fed Prices Paid	14.8		23.1
10:00AM	Nov NAHB housing market indx	34	40	40
Friday, No	v 17			
8:30AM	Oct Housing starts number mm (ml)	1.372M	1.35M	1.358M
8:30AM	Oct Housing starts number mm (ml)			1.358M
Tuesday, N	lov 21			
10:00AM	Oct Existing home sales (ml)	3.79M	3.9M	3.96M
10:00AM	Oct Exist. home sales % chg (%)	-4.1%		-2%
Wednesda	y, Nov 22			
7:00AM	Nov/17 MBA Refi Index	359.9		354.3
7:00AM	Nov/17 MBA Purchase Index	138.4		133.2
8:30AM	Oct Durable goods (%)	-5.4%	-3.1%	4.7%
8:30AM	Nov/18 Jobless Claims (k)	209K	225K	231K
Friday, No	v 24			
9:45AM	Nov S&P Global Composite PMI	50.7		50.7
Wednesda	ıy, Jan 17		'	
1:00PM	20-Yr Bond Auction (bl)	13		

Enjoy your free mortgage news from Black Diamond Mortgage!

Visit us at www.blackdiamondmortgage.com for more information or contact us for the latest!

We have great videos on Youtube! https://www.youtube.com/channel/UCXrbRfaT4klHjX0P3ovelnA

Black Diamond

