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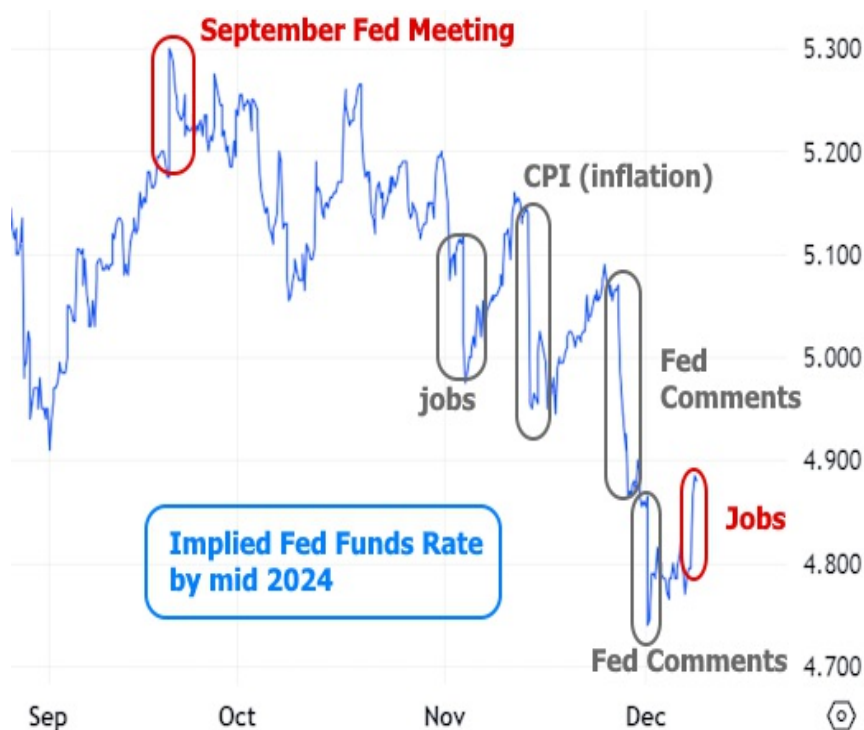
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What's at Stake With Next Week's Fed Announcement and Inflation Data?

It was mostly a great week for mortgage rates with the average lender near the best levels in months through Thursday. Friday's jobs report pushed rates back up a bit, but not excessively. Next week's two big ticket events could set the tone for the rest of the year. Ultimately, that's exactly what's at stake.

Is it melodramatic to say that the scheduled events in a 48 hour window could set the tone for the rest of the year? Not at all, actually. Rates have been reliably reacting to the same set of inputs for months and if this past week is any indication, it doesn't show signs of stopping.

We can observe these reactions in both long and short term rates. The shortest-term rate is that set by the Fed itself. Since the market is certain the Fed Funds Rate won't change for at least several months, let's take a look at the futures contract that estimates the June 2024 level. The chart shows the same categories of events (Fed communications, jobs, and inflation) having the biggest impacts.



Let's zoom in to focus on this week's movement specifically. There were two key reports that generated both movement and volume: Job Openings on

National Average Mortgage Rates



| | Rate | Change | Points |
|----------------------------|------|--------|--------|
| Mortgage News Daily | | | |

| | | | |
|--------------|-------|-------|------|
| 30 Yr. Fixed | 7.16% | +0.01 | 0.00 |
| 15 Yr. Fixed | 6.64% | +0.01 | 0.00 |
| 30 Yr. FHA | 6.62% | +0.01 | 0.00 |
| 30 Yr. Jumbo | 7.40% | +0.01 | 0.00 |
| 5/1 ARM | 7.33% | -0.01 | 0.00 |

Freddie Mac

| | | | |
|--------------|-------|-------|------|
| 30 Yr. Fixed | 7.09% | -0.35 | 0.00 |
| 15 Yr. Fixed | 6.38% | -0.38 | 0.00 |

Rates as of: 5/10

Market Data

| | Price / Yield | Change |
|----------------|---------------|---------|
| MBS UMBS 6.0 | 100.08 | -0.20 |
| MBS GNMA 6.0 | 101.02 | -0.13 |
| 10 YR Treasury | 4.4978 | +0.0417 |
| 30 YR Treasury | 4.6405 | +0.0320 |

Pricing as of: 5/10 5:04PM EST

Recent Housing Data

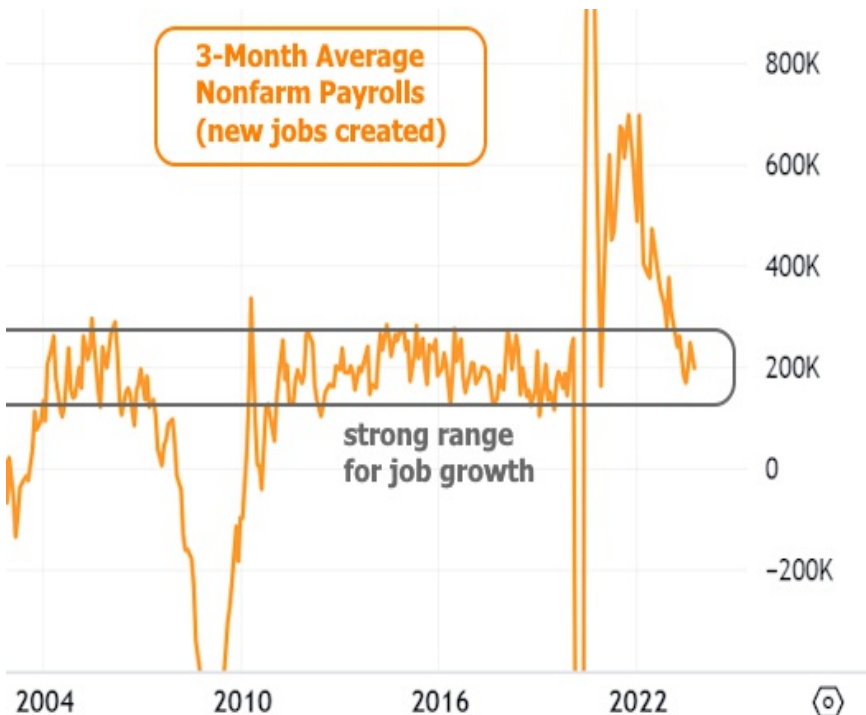
| | | Value | Change |
|---------------------|--------|-------|---------|
| Mortgage Apps | Apr 24 | 196.7 | -2.67% |
| Building Permits | Mar | 1.46M | -3.95% |
| Housing Starts | Mar | 1.32M | -13.15% |
| New Home Sales | Mar | 693K | +4.68% |
| Pending Home Sales | Feb | 75.6 | +1.75% |
| Existing Home Sales | Feb | 3.97M | -0.75% |
| Builder Confidence | Mar | 51 | +6.25% |

Tuesday and the big jobs report on Friday.

Job openings remain historically high, but have been moving in a rate-friendly direction. The Fed wants to see the labor market cool off a bit or it worries that inflation will be harder to control. That's why this week's job openings data helped rates move lower.



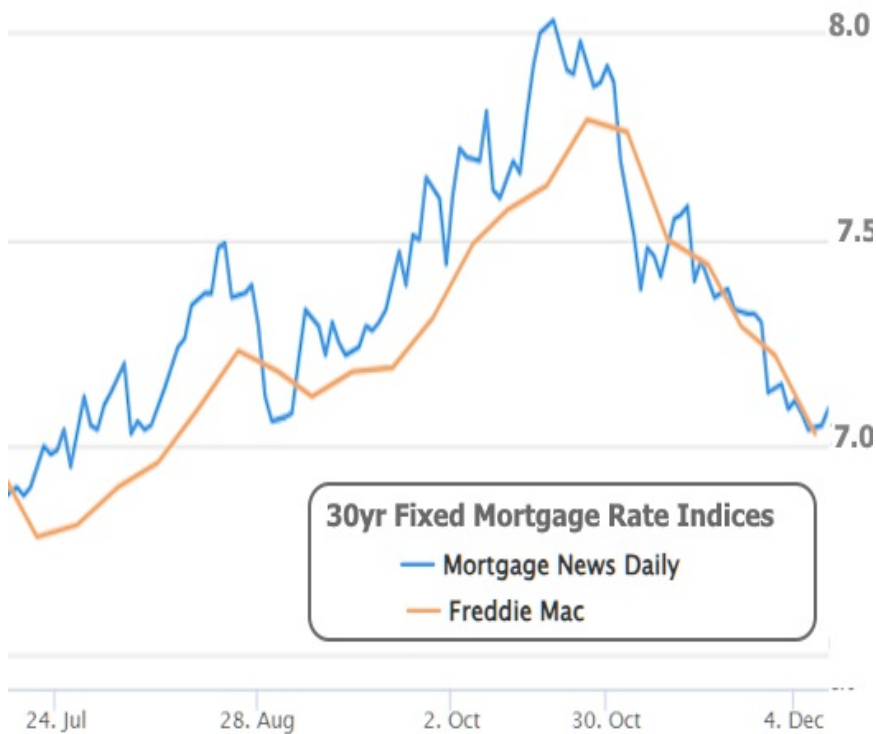
Despite being in line with historical levels, Friday's nonfarm payrolls (a count of new jobs created or lost) made a different case.



You can't tell by looking at the chart, but payrolls came in higher than expected. The unemployment rate was also lower than expected. Neither are good for rates, but the reaction wasn't extreme as far as longer-term rates (like 10yr Treasury yields) were concerned.



Mortgage rates also moved a hair higher, but are still effectively in line with their best levels in months.



If we zoom out on the Treasury chart in a similar manner, Friday's yield spike also looks like no big deal in the bigger picture. It's more of an afterthought in the process of erasing the losses seen after the Fed spooked the rate market at the September meeting.



That brings us full circle with next week's Fed meeting. The Fed's September announcement spooked the bond market due to the proverbial "DOTS." This refers to the dot plot the Fed uses to convey its quarterly forecast for the general path of the Fed Funds Rate.

September's dots showed the Fed holding the Fed Funds Rate "higher for longer"--a likelihood that financial markets adjusted to by the end of October. November and early December have seen traders pull back on their Fed rate expectations.

The timing is important because next Wednesday is the first new dot plot since September 20th. Traders hope/expect to see a more measured outlook versus spooky September. They'll almost certainly get it, but the question is HOW much more measured.

The Fed may not even know their final answers to the dot plot questions at this point. Some of the dots could be changing right up to the buzzer due to the timing of the Consumer Price Index (CPI) which comes out just over 24 hours before the Fed announcement.

CPI has been moving in the right direction, but we need to see a few more months of progress before the Fed would truly be in a position to consider rate cuts. If Tuesday's example shows good progress, some of the Fed's thought process may end up in the dot plot on Wednesday. Rates may have a volatile response to either event.

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Recent Economic Data

| Date | Event | Actual | Forecast | Prior |
|----------------|-------|--------|----------|-------|
| Monday, Dec 04 | | | | |

Event Importance:

No Stars = Insignificant
★ Low

| Date | Event | Actual | Forecast | Prior |
|-------------------|---------------------------------|--------|----------|--------|
| 10:00AM | Oct Factory orders mm (%) | -3.6% | -2.8% | 2.8% |
| Tuesday, Dec 05 | | | | |
| 9:45AM | Nov S&P Global Services PMI | 50.8 | 50.8 | 50.6 |
| 10:00AM | Nov ISM N-Mfg PMI | 52.7 | 52 | 51.8 |
| 10:00AM | Oct USA JOLTS Job Openings | 8.733M | 9.3M | 9.553M |
| Wednesday, Dec 06 | | | | |
| 7:00AM | Dec/01 MBA Refi Index | 373.3 | | 327.8 |
| 7:00AM | Dec/01 MBA Purchase Index | 144.5 | | 144.9 |
| 8:15AM | Nov ADP jobs (k) | 103K | 130K | 113K |
| 8:30AM | Q3 Unit Labour Costs QoQ Final | -1.2% | -0.9% | 3.2% |
| Thursday, Dec 07 | | | | |
| 8:30AM | Dec/02 Jobless Claims (k) | 220K | 222K | 218K |
| Friday, Dec 08 | | | | |
| 8:30AM | Nov Average earnings mm (%) | 0.4% | 0.3% | 0.2% |
| 8:30AM | Nov Non Farm Payrolls | 199K | 180K | 150K |
| 8:30AM | Nov Unemployment rate mm (%) | 3.7% | 3.9% | 3.9% |
| 10:00AM | Dec Sentiment: 1y Inflation (%) | 3.1% | | 4.5% |
| 10:00AM | Dec Consumer Sentiment (ip) | 69.4 | 62 | 61.3 |
| Monday, Dec 11 | | | | |
| 11:30AM | 3-Yr Note Auction (bl) | 50 | | |
| Tuesday, Dec 12 | | | | |
| 8:30AM | Nov y/y CORE CPI (%) | 4% | 4% | 4% |
| 8:30AM | Nov m/m CORE CPI (%) | 0.3% | 0.3% | 0.2% |
| 1:00PM | 30-Year Bond Auction | 4.344% | | 4.769% |
| Wednesday, Dec 13 | | | | |
| 8:30AM | Nov Core Producer Prices YY (%) | 2% | 2.2% | 2.4% |
| 2:00PM | Fed Interest Rate Decision | 5.5% | 5.5% | 5.5% |
| 2:00PM | FOMC Economic Projections | | | |
| 2:30PM | Fed Press Conference | | | |
| Thursday, Dec 14 | | | | |
| 8:30AM | Nov Import prices mm (%) | -0.4% | -0.8% | -0.8% |
| 8:30AM | Dec/09 Jobless Claims (k) | 202K | 220K | 220K |
| 8:30AM | Nov Retail Sales (%) | 0.3% | -0.1% | -0.1% |
| Friday, Dec 15 | | | | |
| 8:30AM | Dec NY Fed Manufacturing | -14.5 | 2 | 9.1 |
| 9:15AM | Nov Industrial Production (%) | 0.2% | 0.3% | -0.6% |
| 9:45AM | Dec S&P Global Services PMI | 51.3 | 50.6 | 50.8 |
| Wednesday, Jan 10 | | | | |
| 1:00PM | 10-yr Note Auction (bl) | 37 | | |

★ Moderate

★★ Important

★★★ Very Important

| Date | Event | Actual | Forecast | Prior |
|------|-------|--------|----------|-------|
|------|-------|--------|----------|-------|

Fast, Responsive and Solution Oriented

With a combined 30 years experience in real estate brokerage and mortgage finance my background I understand the meaning of "Time is of the essence" from both the REALTORS point of view as well as the consumer. Being accessible and consistent in my processes helps me set proper expectations and effective communication to lead to smooth successful closings. I enjoy working with agents on complex transactions to help get the deal done putting my client's needs above my own. Helping 1st time home buyers through education, credit score help, assistance programs to enable a family to buy a home they never thought they could own is my true passion in this business..

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