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## National Average Mortgage Rates



| Aug 23              | Oct 23 | Dec 23 | Mar 24 |        |  |
|---------------------|--------|--------|--------|--------|--|
|                     |        | Rate   | Change | Points |  |
| Mortgage News Daily |        |        |        |        |  |
| 30 Yr. Fixed        |        | 7.02%  | +0.03  | 0.00   |  |
| 15 Yr. Fixed        |        | 6.53%  | +0.03  | 0.00   |  |
| 30 Yr. FHA          |        | 6.55%  | +0.03  | 0.00   |  |
| 30 Yr. Jumbo        |        | 7.31%  | +0.01  | 0.00   |  |
| 5/1 ARM             |        | 7.24%  | +0.04  | 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: 5/16   |        |        |        |        |  |

### Market Data

|                                | Price / Yield | Change  |
|--------------------------------|---------------|---------|
| MBS UMBS 6.0                   | 100.53        | -0.02   |
| MBS GNMA 6.0                   | 101.23        | +0.49   |
| 10 YR Treasury                 | 4.3978        | +0.0209 |
| 30 YR Treasury                 | 4.5410        | +0.0349 |
| Pricing as of: 5/17 8:16AM 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%  |

## Rates Rocked by Inflation Data

If there was only one thing to know about the mortgage market this week, it would be that Wednesday's inflation data prompted one of biggest single day increases in mortgage rates in decades. If there was a 2nd thing to know, it's that the first thing is arguably all that matters.

OK... that may be a bit of an exaggeration, but it is true that inflation has utterly dominated the outlook for rates. The Consumer Price Index (CPI) is the first of major inflation reports on any given month and by far the most widely followed by financial markets. In other words, the traders that indirectly determine changes in mortgage rates are waiting on the edge of their seats for each month's CPI data and their reactions have frequently been extreme.

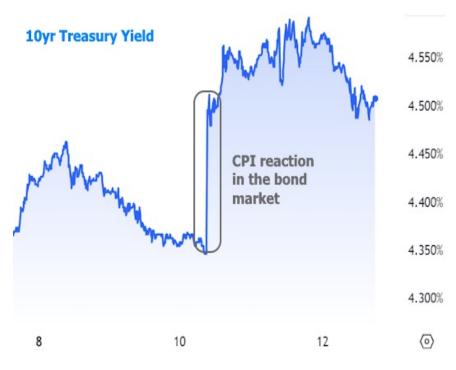
This week's reaction qualifies. It was simply amazing (in a bad way) when considered against the extent to which the results diverged from expectations.

To simplify, consider that the most important line item in the report operates on a scale of tenths of a percent. It was expected to come in a 0.3 but instead came in a 0.4. Moreover, that 0.4 was rounded up from 0.359%--almost low enough to round down to 0.3!

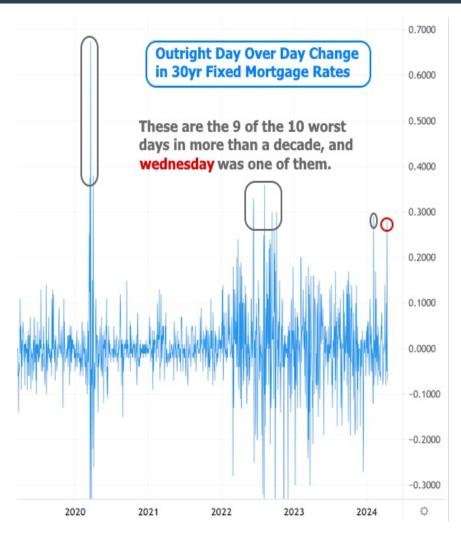
If you'd told us that ahead of time, we would have assumed bond market weakness (i.e. higher rates), but nothing on the scale of what we actually saw. The 5 day chart of 10yr Treasury Yields (a benchmark for longer term rates like mortgages) tells the story.

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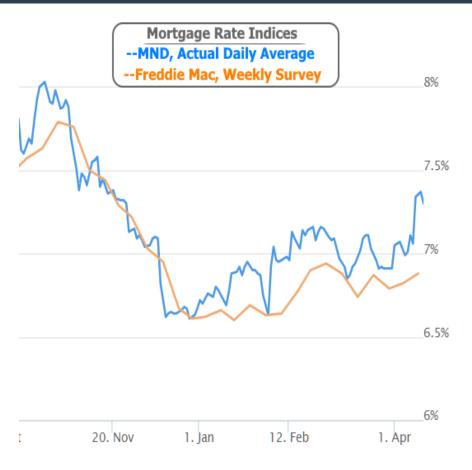
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Mortgage rates were just as upset. The 30yr fixed rate index jumped nearly 0.30%, putting Wednesday in line with one of only a handful of days with a spike of 0.25% or more over the past 20 years.



A chart of the index itself is slightly less troubling considering it's still well below last year's highs, but the gap is much smaller after this week.



Why did we see such a big reaction for such a small deviation in the data? Simply put, the market keeps waiting for a trend toward lower inflation to resume and the data keeps breaking hearts. This week's report was sort of a "third times the charm" moment. Jan and Feb CPI (released in Feb and Mar, respectively) were also surprisingly high. They did damage to rates to be sure, but markets and even officials from the Federal Reserve were hoping those reports were outliers.

The following chart shows month over month core CPI (the one that came in at 0.4 instead of 0.3). The Fed (and the market) is waiting for that line to get back into the target zone. Unfortunately, it looks like it took one look at the target zone and said "no thanks!"



The Fed continues to remind the market that inflation progress is a bumpy road and that these recent setbacks aren't necessarily evidence of defeat. After all, the year over year trend still looks OK despite leveling off a bit from its previous trajectory.



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The big question is what it takes for progress to resume. The Fed's answer is "just a bit more time." They are still talking about cutting rates in 2024, but not as early in the year as initially expected. Wall Street is mixed in its expectations, with firms expecting anywhere from 0 to 3 cuts.

As is always the case, no one can be sure what the future will bring when it comes to economic data and the market reaction. All we can know at present is the progress toward lower rates in 2024 that was widely predicted in late 2023 is unequivocally on hold. A handful of other economic reports can make for fine tuning adjustments in the meantime, but bigger picture progress will depend on progress in the inflation data. There are a few exceptions that could bring rates down even before inflation condones it, but they're all arguably worse than the waiting (war, recession, and other disasters).

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#### **Recent Economic Data**

| Date             | Event                             | Actual | Forecast | Prior  |
|------------------|-----------------------------------|--------|----------|--------|
| Tuesday, Apr 09  |                                   |        |          |        |
| 6:00AM           | Mar NFIB Business Optimism Index  | 88.5   | 90.2     | 89.4   |
| 10:10AM          | Apr IBD economic optimism         | 43.2   | 44.2     | 43.5   |
| Wednesda         | ay, Apr 10                        |        |          |        |
| 7:00AM           | Apr/05 MBA Purchase Index         | 138.7  |          | 145.6  |
| 7:00AM           | Apr/05 MBA Refi Index             | 498.3  |          | 453.5  |
| 8:30AM           | Mar y/y CORE CPI (%)              | 3.8%   | 3.7%     | 3.8%   |
| 8:30AM           | Mar m/m CORE CPI (%)              | 0.4%   | 0.3%     | 0.4%   |
| 2:00PM           | FOMC Minutes                      |        |          |        |
| Thursday,        | Apr 11                            |        |          |        |
| 8:30AM           | Mar Core Producer Prices MM (%)   | 0.2%   | 0.2%     | 0.3%   |
| Friday, Ap       | r 12                              |        |          |        |
| 8:30AM           | Mar Import prices mm (%)          | 0.4%   | 0.3%     | 0.3%   |
| 8:30AM           | Mar Export prices mm (%)          | 0.3%   | 0.3%     | 0.8%   |
| 10:00AM          | Apr Consumer Sentiment (ip)       | 77.9   | 79       | 79.4   |
| Monday, A        | Apr 15                            |        |          |        |
| 8:30AM           | Mar Retail Sales (%)              | 0.7%   | 0.3%     | 0.6%   |
| 8:30AM           | Apr NY Fed Manufacturing          | -14.30 | -9       | -20.90 |
| 10:00AM          | Feb Business Inventories (%)      | 0.4%   | 0.3%     | 0%     |
| 10:00AM          | Apr NAHB housing market indx      | 51     | 51       | 51     |
| Tuesday, A       | Apr 16                            |        |          |        |
| 8:30AM           | Mar Housing starts number mm (ml) | 1.321M | 1.48M    | 1.521M |
| 8:30AM           | Mar Building permits: number (ml) | 1.458M | 1.514M   | 1.524M |
| 9:15AM           | Mar Industrial Production (%)     | 0.4%   | 0.4%     | 0.1%   |
| Thursday, Apr 18 |                                   |        |          |        |
| 8:30AM           | Apr/13 Jobless Claims (k)         | 212K   | 215K     | 211K   |
| 8:30AM           | Apr Philly Fed Business Index     | 15.5   | 1.5      | 3.2    |

### **Event Importance:**

No Stars = Insignificant

Low

Moderate

Important

Very Important

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| Date    | Event                        | Actual | Forecast | Prior |
|---------|------------------------------|--------|----------|-------|
| 10:00AM | Mar Existing home sales (ml) | 4.19M  | 4.2M     | 4.38M |
| 10:00AM | Mar CB Leading Index MoM (%) | -0.3%  | -0.1%    | 0.1%  |

# 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..

**Charles Galati** 

