

The Arizona Loan Baron

Timothy Baron, VP 2 Senior Loan Officer 2 Loan Baron, V.I.P. Mortgage, Inc.

Timothy Baron NMLS #184671 V.I.P. Mortgage, Inc. does 6390 E Tanque Verde Rd. Suite #200 Tucson, AZ 85715

Office: 520-275-5956 Mobile: 520-275-5956

timothybaron@vipmtginc.com

View My Website

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.

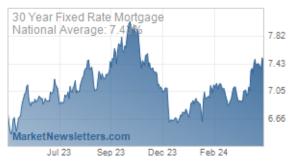
OK... that may be a bit of an exaggeration, but it is true that inflation has utterly dominated the outlook for rates. The Consumer Price Index (CPI) is the first of major inflation reports on any given month and by far the most widely followed by financial markets. In other words, the traders that indirectly 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 at 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.

National Average Mortgage Rates



	Rate	Change	Points
Mortgage News I	Daily		
30 Yr. Fixed	7.43%	-0.02	0.00
15 Yr. Fixed	6.85%	-0.01	0.00
30 Yr. FHA	6.92%	-0.03	0.00
30 Yr. Jumbo	7.63%	-0.01	0.00
5/1 ARM	7.50%	0.00	0.00
Freddie Mac			
30 Yr. Fixed	7.17%	-0.27	0.00
15 Yr. Fixed	6.44%	-0.32	0.00
Rates as of: 4/29			

Market Data

	Price / Yield	Change
MBS UMBS 6.0	99.45	+0.09
MBS GNMA 6.0	100.53	+0.18
10 YR Treasury	4.6234	-0.0411
30 YR Treasury	4.7461	-0.0278

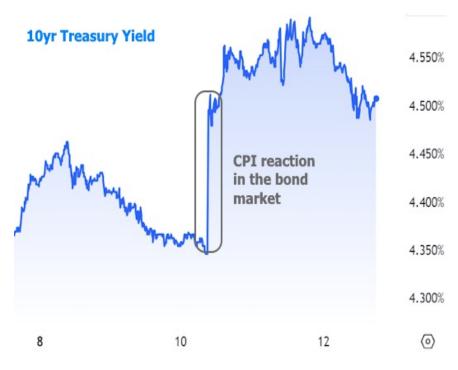
Recent Housing Data

Pricing as of: 4/29 3:19PM EST

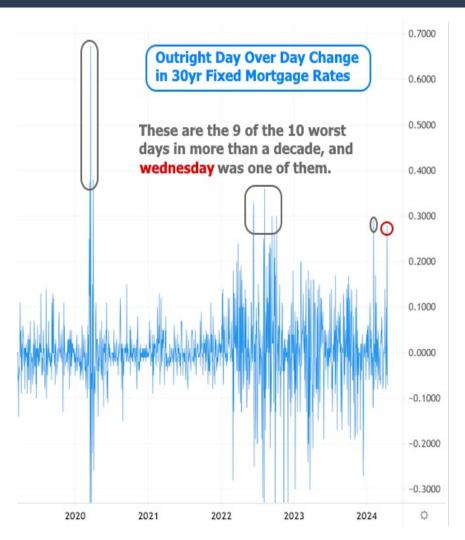
		Value	Change
Mortgage Apps	Apr 24	196.7	-2.67%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%
Builder Confidence	Mar	51	+6.25%

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

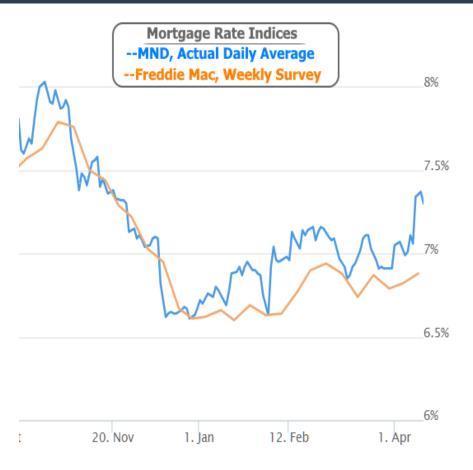
The interest rates provided in this newsletter are national averages from independent data sources. Rate/APR terms may differ from those listed above based on the creditworthiness of the borrower. All information provided "as is" for informational purposes only, not intended for trading purposes or financial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



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.



© 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.

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).

Subscribe to my newsletter online at: http://mortgagenewsletter.net/timothybaron

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

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.

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

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%

The Arizona Loan Baron

The Arizona Loan Baron is at your service!

I would appreciate the opportunity to share with you my extensive mortgage lending experience. My client focused approach has allowed me to build long lasting relationships and partnerships throughout Arizona. I know this market. I live here and work here. Please allow me the opportunity to be your mortgage lending partner.

The Arizona Loan Baron

