

## **Charles Davis**

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The Dots Put an Exclamation Point on Record-Breaking Drop in Rates

We came into this week expecting the Fed's Dot Plot to set the tone, or at least to create a good amount of movement in rates, and that's exactly what happened.

The dot plot refers to a chart that appears 4 times a year in economic projections released by the Fed. Projections are not the same as predictions, but the dots still provide the market with valuable insight as to how the Fed will change short term interest rates if the economy evolves as expected.

Specifically, the Fed sees job growth generally moderating and inflation gradually falling toward target levels. The dots essentially say "if that stuff keeps happening in the same way it has been happening, here's where we expect the Fed Funds rate to be."

The last dot plot came out with the September Fed meeting. It showed the median rate staying about 0.50% higher than the previous dot plot in June. Rates didn't love that. With support from resilient economic data, the dots were a catalyst for a push up to the highest interest rates in decades by the end of October.

Heading into this week's dot plot, we knew things would look better for rates based on recent Fed speeches and more moderate economic data over the past 2 months, but we didn't know how much better. Here's exactly how things changed for the "end of 2024" time frame most scrutinized by market participants:

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#### National Average Mortgage Rates



## 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	100.40	-0.15
MBS GNMA 6.0	100.78	+0.04
10 YR Treasury	4.4223	+0.0454
30 YR Treasury	4.5610	+0.0549
Pricing as of: 5/17 5:59PM EST		

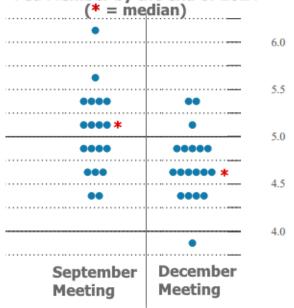
#### **Recent Housing Data**

		Value	Change
Mortgage Apps	May 15	198.1	+0.51%
<b>Building Permits</b>	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%

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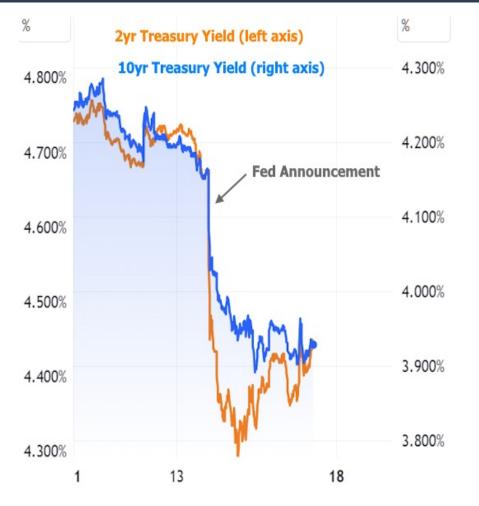
#### Fed Funds Rate Projections For Each Fed Member by the end of 2024



The median Fed member now sees the Fed Funds Rate at 4.625% by the end of 2024 as opposed to the 5.125% conveyed in September's dot plot. This was clearly better news than the market was expecting because here's what rates did when it came out:

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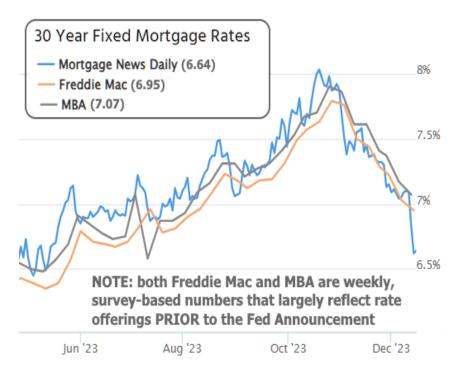
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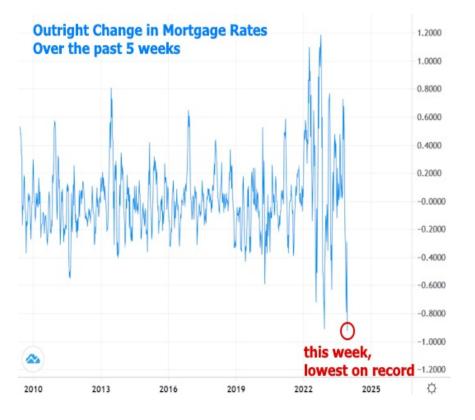
2yr Treasury yields have more in common with near-term Fed Funds Rate expectations while 10yr yields move more like mortgage rates. Speaking of mortgage rates, they had quite a week, although you'd only know it by looking at actual daily averages such as the Mortgage News Daily index as opposed to weekly surveys that don't yet reflect the huge drop in the 2nd half of the week.

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While Freddie Mac's rate index fell by bigger amounts in the 1980s on a few occasions, this is the biggest 5 week drop on record for the MND index. The following chart shows the 5-week change in rates. In other words, the drop that began in November is the biggest we've seen in decades, even if only slightly bigger than the drop seen last year.



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In addition to the dot plot, Fed Chair Powell mentioned that the Fed had begun to discuss rate cuts. It's important to keep in mind that Powell has also been clear that the Fed could actually hike rates again if inflation were to pick back up. He's also been clear in saying that inflation would need to keep moving lower in order to make rate cuts a reality. As far as this week's Consumer Price Index (CPI) data was concerned, we're on the path, but still far from the destination.



We won't get CPI again until the new year. Moreover, we won't get much by way of other relevant economic data before then either. Combine that with the typical decline in trader participation in late December and it's not unfair to say the jury is pretty much out for the next few weeks. Rates may ebb and flow a bit, but the important decisions are on hold until bigticket data and more robust participation return after the holiday break.

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#### **Recent Economic Data**

Date	Event	Actual	Forecast	Prior	
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%	





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7:00AM   Dec/08 MBA Refi Index   445.8   373.3     8:30AM   Nov Core Producer Prices MM (%)   0%   0.2%   0.9     8:30AM   Nov Core Producer Prices YY (%)   2%   2.4%   2.4%     2:00PM   Fed Interest Rate Decision   5.5%   5.5%   5.5%     2:00PM   Fed Press Conference   Image: Solad M   5.5%   5.5%     8:30AM   Nov Import prices mm (%)   -0.4%   -0.8%   -0.8%     8:30AM   Nov Industrial Sales (%)   0.03%   -0.1%   -0.1%     8:30AM   Dec NY Fed Manufacturing   -14.5   2   9.     9:15AM   Nov Industrial Production (%)   0.2%   0.3%   -0.6%     9:45AM   Dec S&P Global Services PMI   51.3   50.6   50.4     10:00AM   Dec NAHB housing market	Date	Event	Actual	Forecast	Prior
7:00AM   Dec/08 MBA Refi Index   445.8   373.3     8:30AM   Nov Core Producer Prices MM (%)   0%   0.2%   0.9     8:30AM   Nov Core Producer Prices YY (%)   2%   2.2%   2.49     2:00PM   Fed Interest Rate Decision   5.5%   5.5%   5.5%     2:30PM   Fed Press Conference   1   1   1   1     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%     8:30AM   Dec NY Fed Manufacturing   -14.5   2   9.     9:15AM   Nov Industrial Production (%)   0.2%   0.3%   -0.6%     9:45AM   Dec S&P Global Services PMI	Wednesda	ay, Dec 13		I	
8:30AM   Nov Core Producer Prices MM (%)   0%   0.2%   09     8:30AM   Nov Core Producer Prices YY (%)   2%   2.49   2.49     2:00PM   Fed Interest Rate Decision   5.5%   5.59   2.59     2:00PM   Fod Interest Rate Decision   5.5%   5.59   2.59     2:00PM   Fod Interest Rate Decision   5.5%   5.59   2.59     2:30PM   Fed Press Conference   1   1   1     8:30AM   Nov Import prices mm (%)   -0.4%   -0.8%   -0.89     8:30AM   Dec/09 Jobless Claims (k)   202K   220K   220K     8:30AM   Dec/09 Jobless Claims (k)   202K   220K   220K     8:30AM   Dec/09 Jobless Claims (k)   203%   -0.19     Friday, Dec   5   5.5%   5.5%   5.5%     8:30AM   Dec NY Fed Manufacturing   -14.5   2   9.     9:15AM   Nov Industrial Production (%)   0.2%   0.3%   -0.69     9:45AM   Dec S&P Global Services PMI   51.3 <td< td=""><td>7:00AM</td><td>Dec/08 MBA Purchase Index</td><td>149.6</td><td></td><td>144.5</td></td<>	7:00AM	Dec/08 MBA Purchase Index	149.6		144.5
8:30AM   Nov Core Producer Prices YY (%)   2%   2.2%   2.49     2:00PM   Fed Interest Rate Decision   5.5%   5.5%   5.5%     2:00PM   FOMC Economic Projections   -   -   -     2:30PM   Fed Press Conference   -   -   -     8:30AM   Nov Import prices mm (%)   -0.4%   -0.8%   -0.8%     8:30AM   Dec/09 Jobless Claims (k)   202K   220K   220K     8:30AM   Dec/09 Jobless Claims (k)   202K   220K   220K     8:30AM   Nov Retail Sales (%)   0.3%   -0.1%   -0.1%     Friday, Dec   F   -   -   -0.1%     8:30AM   Dec NY Fed Manufacturing   -14.5   2   9.     9:15AM   Nov Industrial Production (%)   0.2%   0.3%   -0.69     9:45AM   Dec S&P Global Services PMI   51.3   50.6   50.4     Monday, Dec NAHB housing market indx   37   36   3.     10:00AM   Dec NAHB housing starts number mm (ml)   1.3   1.372	7:00AM	Dec/08 MBA Refi Index	445.8		373.3
2:00PM   Fed Interest Rate Decision   5.5%   5.5%     2:00PM   FOMC Economic Projections   1   1     2:30PM   Fed Press Conference   1   1     2:30PM   Fed Press Conference   1   1     8:30AM   Nov Import prices mm (%)   -0.4%   -0.8%   -0.8%     8:30AM   Dec/09 Jobless Claims (k)   202K   220K   220H     8:30AM   Dec/09 Jobless Claims (k)   203K   201K   -0.1%     8:30AM   Dec/09 Jobless Claims (k)   0.3%   -0.1%   -0.1%     8:30AM   Nov Retail Sales (%)   0.3%   -0.1%   -0.1%     8:30AM   Dec NY Fed Manufacturing   -14.5   2   9.     9:15AM   Nov Industrial Production (%)   0.2%   0.3%   -0.6%     9:45AM   Dec S&P Global Services PMI   51.3   50.6   50.4     10:00AM   Dec NAHB housing market indx   37   36   3.4     10:00AM   Dec/15 MBA Refi Index   37   36   3.4     7:00AM	8:30AM	Nov Core Producer Prices MM (%)	0%	0.2%	0%
2:00PM   FOMC Economic Projections   Image: Solution of the second production production of the second production production of the second prod	8:30AM	Nov Core Producer Prices YY (%)	2%	2.2%	2.4%
2:30PM   Fed Press Conference   Image: Conferenc   Image: Conference   Im	2:00PM	Fed Interest Rate Decision	5.5%	5.5%	5.5%
Thursday, Dec 14   Image: Constraint of the state of the s	2:00PM	FOMC Economic Projections			
8:30AM   Nov Import prices mm (%)   -0.4%   -0.8%   -0.8%     8:30AM   Dec/09 Jobless Claims (k)   202K   220K   220R     8:30AM   Nov Retail Sales (%)   0.3%   -0.1%   2018     8:30AM   Nov Retail Sales (%)   0.3%   -0.1%   -0.1%     Friday, Dec 15   5   5   2   9     8:30AM   Dec NY Fed Manufacturing   -14.5   2   9     9:15AM   Nov Industrial Production (%)   0.2%   0.3%   -0.69     9:45AM   Dec S&P Global Services PMI   51.3   50.6   50.4     Monday, Dec 18   10:00AM   Dec NAHB housing market indx   37   36   34     10:00AM   Dec NAHB housing starts number mm (ml)   1.372M   1.372M     Wednesday, Dec 20   1.372M   1.372M   1.372M     7:00AM   Dec/15 MBA Refi Index   148.7   149.4     7:00AM   Dec/15 MBA Purchase Index   148.7   149.4     10:00AM   Nov Existing home sales (ml)   3.82M   3.77M   3.7	2:30PM	Fed Press Conference			
8:30AM   Dec/09 Jobless Claims (k)   202K   220K   29K   20K	Thursday,	Dec 14			
8:30AM Nov Retail Sales (%) 0.3% -0.1% -0.1%   Friday, Dec I5   8:30AM Dec NY Fed Manufacturing -14.5 2 9.1   9:15AM Nov Industrial Production (%) 0.2% 0.3% -0.6%   9:15AM Dec S&P Global Services PMI 51.3 50.6 50.6   9:45AM Dec S&P Global Services PMI 317 36 34   10:00AM Dec NAHB housing market indx 37 36 34   Tuesday, Dec 19 11.372M 11.372M   8:30AM Nov Housing starts number mm (ml) 1.3 1.372M   Wednesday, Dec 20 11.372M 11.372M   7:00AM Dec/15 MBA Refi Index 148.7 149.4   10:00AM Dec/15 MBA Refi Index 148.7 149.4	8:30AM	Nov Import prices mm (%)	-0.4%	-0.8%	-0.8%
Friday, Dec 15   8:30AM Dec NY Fed Manufacturing -14.5 2 9.1   9:15AM Nov Industrial Production (%) 0.2% 0.3% -0.69   9:45AM Dec S&P Global Services PMI 51.3 50.6 50.8   Monday, Dec S&P Global Services PMI 51.3 50.6 50.8   Monday, Dec 18 10:00AM Dec NAHB housing market indx 37 36 34   10:00AM Dec NAHB housing market indx 37 36 34   10:00AM Dec NAHB housing starts number mm (ml) 1.372M 1.372M   8:30AM Nov Housing starts number mm (ml) 1.372M 1.372M   7:00AM Dec/15 MBA Refi Index 148.7 149.4   7:00AM Dec/15 MBA Purchase Index 148.7 149.4   10:00AM Nov Existing home sales (ml) 3.82M 3.77M 3.79M	8:30AM	Dec/09 Jobless Claims (k)	202K	220K	220K
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   Monday, Dec S&P Global Services PMI 37 36 34   10:00AM Dec NAHB housing market indx 37 36 34   Tuesday, Dec 19 1.372M 1.372M   8:30AM Nov Housing starts number mm (ml) 1.372M 1.372M   Wednesday, Dec 20 1.372M 1.372M   7:00AM Dec/15 MBA Refi Index 148.7 149.4   10:00AM Nov Existing home sales (ml) 3.82M 3.77M	8:30AM	Nov Retail Sales (%)	0.3%	-0.1%	-0.1%
9:15AM   Nov Industrial Production (%)   0.2%   0.3%   -0.6%     9:45AM   Dec S&P Global Services PMI   51.3   50.6   50.3     Monday, Dec 18   Interstand   37   36   34     10:00AM   Dec NAHB housing market indx   37   36   34     Tuesday, Dec 19   Interstand   37   36   34     8:30AM   Nov Housing starts number mm (ml)   Interstand   1.372M     Wednesday, Dec 20   Interstand   Interstand   Interstand   Interstand     7:00AM   Dec/15 MBA Refi Index   Interstand   Interstand </td <td>Friday, De</td> <td>c 15</td> <td>  </td> <td>I</td> <td></td>	Friday, De	c 15		I	
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Monday, Dec 1810:00AMDec NAHB housing market indx373634Tuesday, Dec 198:30AMNov Housing starts number mm (ml)1.372NWednesday, Dec 207:00AMDec/15 MBA Refi Index148.7149.47:00AMDec/15 MBA Purchase Index148.7149.410:00AMNov Existing home sales (ml)3.82M3.77M3.79N	9:15AM	Nov Industrial Production (%)	0.2%	0.3%	-0.6%
10:00AMDec NAHB housing market indx373634Tuesday, Dec 198:30AMNov Housing starts number mm (ml)1.372NWednesday, Dec 207:00AMDec/15 MBA Refi Index17:00AMDec/15 MBA Refi Index148.710:00AMNov Existing home sales (ml)3.82M3.77M	9:45AM	Dec S&P Global Services PMI	51.3	50.6	50.8
Tuesday, Dec 198:30AMNov Housing starts number mm (ml)1.372NWednesday, Dec 207:00AMDec/15 MBA Refi Index17:00AMDec/15 MBA Purchase Index148.710:00AMNov Existing home sales (ml)3.82M3.77M	Monday, E	Dec 18	1		
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Wednesday, Dec 20Image: Constraint of the second secon	Tuesday, D	Dec 19		ļ	
Wednesday, Dec 20Image: Constraint of the second secon	8:30AM	Nov Housing starts number mm (ml)			1.372M
7:00AM   Dec/15 MBA Purchase Index   148.7   149.4     10:00AM   Nov Existing home sales (ml)   3.82M   3.77M   3.79N				ļ	
10:00AM Nov Existing home sales (ml) 3.82M 3.77M 3.79N	7:00AM	Dec/15 MBA Refi Index			
	7:00AM	Dec/15 MBA Purchase Index	148.7		149.6
Thursday, Dec 21	10:00AM	Nov Existing home sales (ml)	3.82M	3.77M	3.79M
	Thursday,	Dec 21		I	
8:30AM Dec Philly Fed Business Index -10.5 -3 -5.0	8:30AM	Dec Philly Fed Business Index	-10.5	-3	-5.9
8:30AM Q3 GDP (%) 4.9% 5.2% 2.19	8:30AM	Q3 GDP (%)	4.9%	5.2%	2.1%
8:30AM Dec/16 Jobless Claims (k) 205K 215K 202I	8:30AM	Dec/16 Jobless Claims (k)	205K	215K	202K
Friday, Dec 22	Friday, De	c 22			
7:30AM Nov Building permits: number (ml) 1.467M 1.498N	7:30AM	Nov Building permits: number (ml)	1.467M		1.498M
			0.1%	0.2%	0.2%
			3.2%	3.3%	3.5%
8:30AM Nov Durable goods (%) 5.4% 2.2% -5.49	8:30AM	Nov Durable goods (%)	5.4%	2.2%	-5.4%
10:00AM Nov New Home Sales (ml) 0.59M 0.685M 0.679N	10:00AM	Nov New Home Sales (ml)	0.59M	0.685M	0.679M
10:00AM Dec U Mich conditions 73.3 74 68.3	10:00AM	Dec U Mich conditions	73.3	74	68.3
10:00AM Dec Consumer Sentiment (ip) 69.7 69.4 61.3	10:00AM	Dec Consumer Sentiment (ip)	69.7	69.4	61.3
2:00PM Christmas Early Close	2:00PM	Christmas Early Close			
Wednesday, Jan 10	Wednesda	ay, Jan 10			
1:00PM 10-yr Note Auction (bl) 37	1:00PM	10-yr Note Auction (bl)	37		

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Date	Event	Actual	Forecast	Prior
Thursday,	Jan 11			
1:00PM	30-Yr Bond Auction (bl)	21		
Wednesday, Jan 17				
1:00PM	20-Yr Bond Auction (bl)	13		

# Thank you for Reading!

These weekly newsletters provide tremendous insight into the chaotic world of housing and mortgage finance. Thank you for reading and if you, or someone you know, is looking to buy or refinance in one of these states: Arizona, Colorado, Florida, Georgia, Indiana, Iowa, Kansas, Minnesota, South Carolina, Tennessee, Virginia or Washington I'd be honored to speak with them and give them honest and transparent lending advice!

With Gratitude!

Charles

**Charles Davis** 

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