



Steve Chizmadia

Mortgage Advisor - MLO-244902, Home Loans With Steve

NMLS ID: 1845124- CA BRE: 01524985 - 141 Providence Road Charlotte, NC 28207

Office: (760) 715-9688
 Mobile: (760) 715-9688
steve@homeloanswithsteve.com
[View My Website](#)

What This Week's Jobs Report Means For Rates

All eyes were on the big jobs report this week. Traders were anxious to see if it would be strong enough to accelerate the timeline for key policy changes that would greatly impact rates.

The bond market and indeed many homeowners remember 2013's **taper tantrum** all too well. For those who need a refresher, the taper tantrum occurred after the Fed began tapering the bond purchases that had been holding interest rates down. Rates shot up at one of the fastest paces in history.

With the Fed **still** buying **\$120 bln** per month in Treasuries and mortgage-backed bonds since the start of the pandemic, traders know there will eventually be **another reckoning**. Fed speakers have been clear in saying they'll provide ample warning this time around, but no one wants to be late to that party! So traders are perpetually dissecting all incoming economic data for early warning signs.

Among that data, the big jobs report (officially, the "employment situation" from the Bureau of Labor Statistics) reigns supreme. **No other report** is held in the same regard when it comes to its ability to guide policy and trading decisions.

As covid case counts drop and vaccinations increase, local economies are quickly moving back toward more normal levels of activity. Traders have been expecting that activity to start showing up in the data. but the turnaround hasn't been as noticeable when it comes to the big jobs report.

Case in point, this week's second most important report, the monthly index on activity in the services sector published by the Institute For Supply Management (ISM) just hit an all-time high. The higher it is, the faster the economy is growing.

National Average Mortgage Rates



| | Rate | Change | Points |
|----------------------------|-------|--------------|--------|
| Mortgage News Daily | | | |
| 30 Yr. Fixed | 6.43% | +0.02 | 0.00 |
| 15 Yr. Fixed | 5.95% | 0.00 | 0.00 |
| 30 Yr. FHA | 5.82% | +0.02 | 0.00 |
| 30 Yr. Jumbo | 6.62% | 0.00 | 0.00 |
| 5/1 ARM | 6.28% | -0.01 | 0.00 |

Freddie Mac

| | | | |
|--------------|-------|--------------|------|
| 30 Yr. Fixed | 6.35% | -0.51 | 0.00 |
| 15 Yr. Fixed | 5.51% | -0.65 | 0.00 |

Rates as of: 8/30

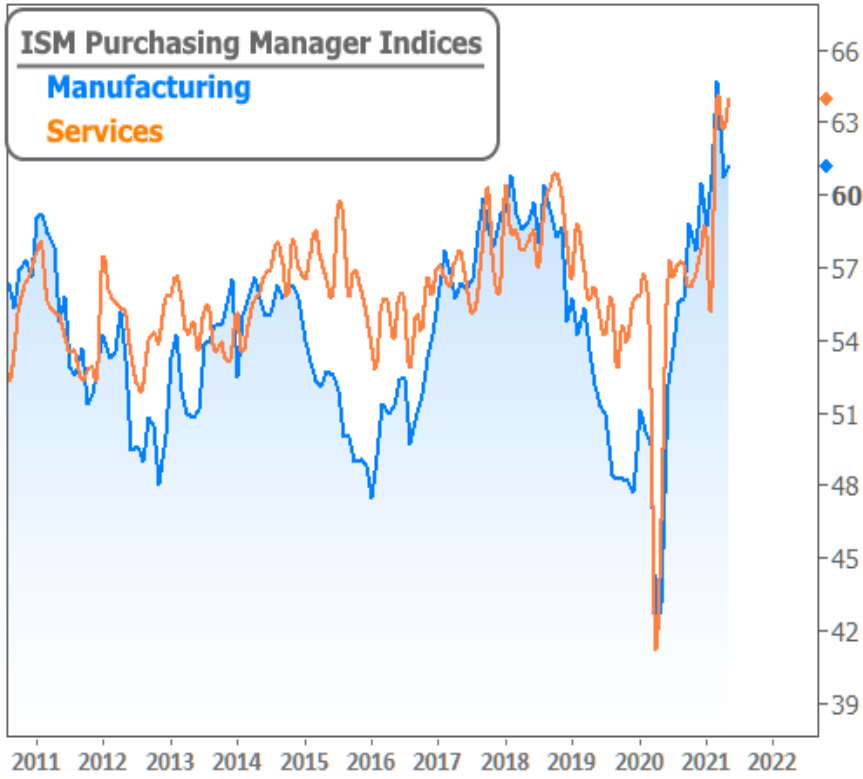
Market Data

| | Price / Yield | Change |
|----------------|---------------|----------------|
| MBS UMBS 5.0 | 99.35 | -0.16 |
| MBS GNMA 5.0 | 99.91 | -0.04 |
| 10 YR Treasury | 3.9039 | +0.0424 |
| 30 YR Treasury | 4.1932 | +0.0468 |

Pricing as of: 8/30 5:59PM EST

Recent Housing Data

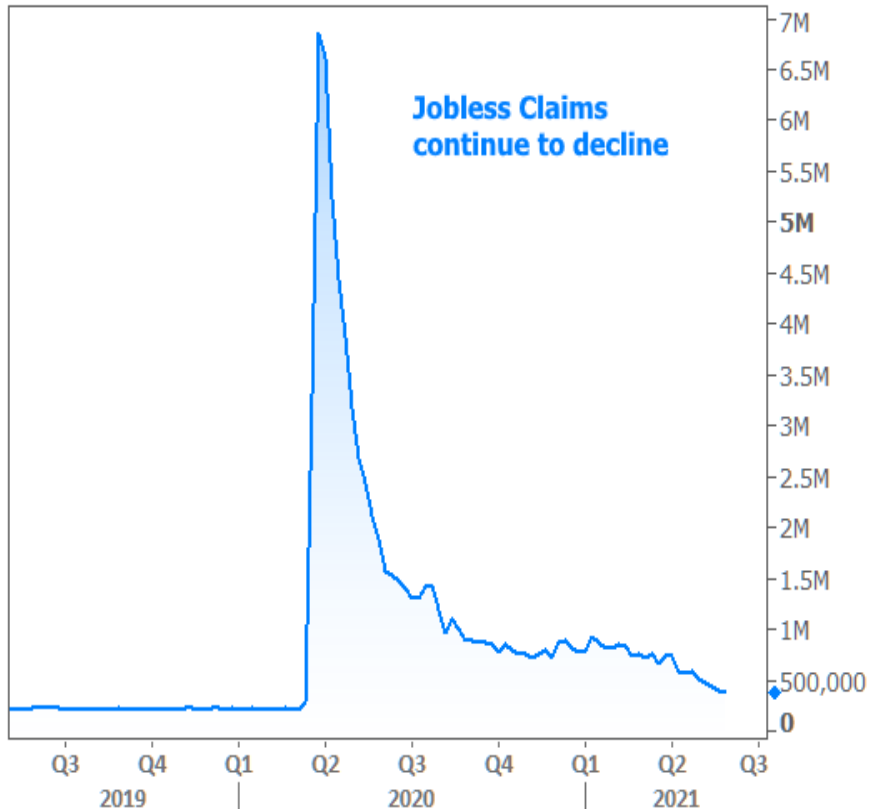
| | Value | Change |
|---------------------|--------------|---------|
| Mortgage Apps | Aug 28 226.9 | +0.49% |
| Building Permits | Mar 1.46M | -3.95% |
| Housing Starts | Mar 1.32M | -13.15% |
| New Home Sales | Mar 693K | +4.68% |
| Pending Home Sales | Feb 75.6 | +1.75% |
| Existing Home Sales | Feb 3.97M | -0.75% |
| Builder Confidence | Mar 51 | +6.25% |



In addition, several of the week's other labor-related reports showed ongoing improvement. Of particular note was the longstanding, but still fairly obscure "Job Cut Report" from staffing agency Challenger, Gray, and Christmas. It hit its **lowest level in 2 decades** last month, and essentially maintained it in the most recent report.

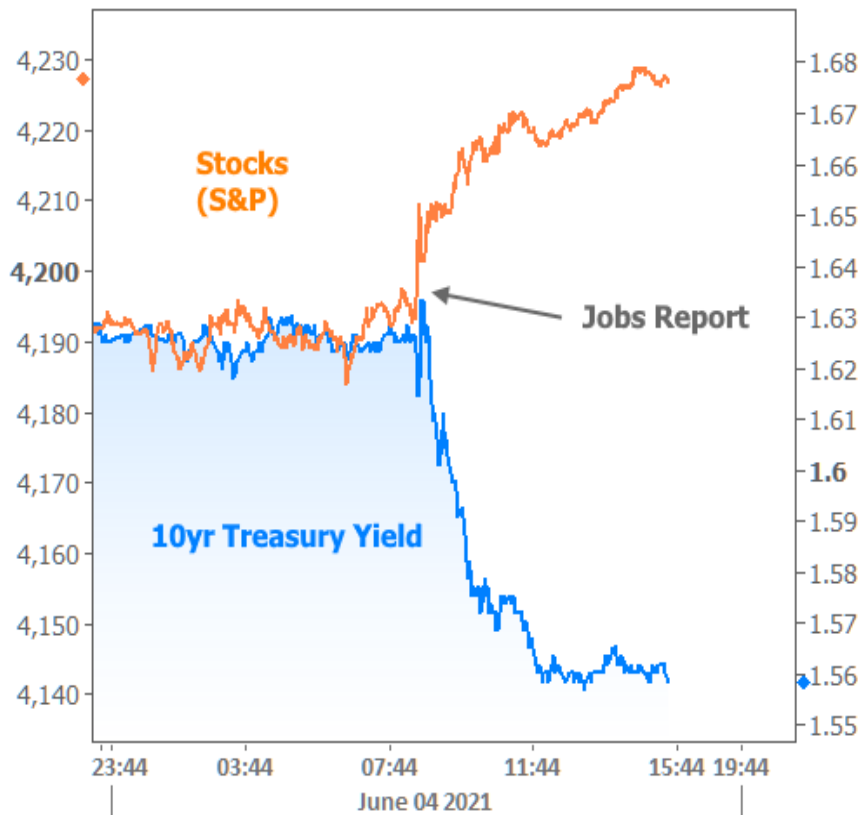


The weekly data tells the same story with Jobless Claims hitting another post-pandemic low.



In fact, even when we consider the headline from the big jobs report (**559k new jobs** created last month versus **only 278k** in the previous month), it seems like everyone is on the same page and that we should increasingly worry about the Fed. But the catch is that the market would have needed to see a number closer to 1 million in order to really freak out. As it stands, 559k didn't even hit the median forecast of 650k.

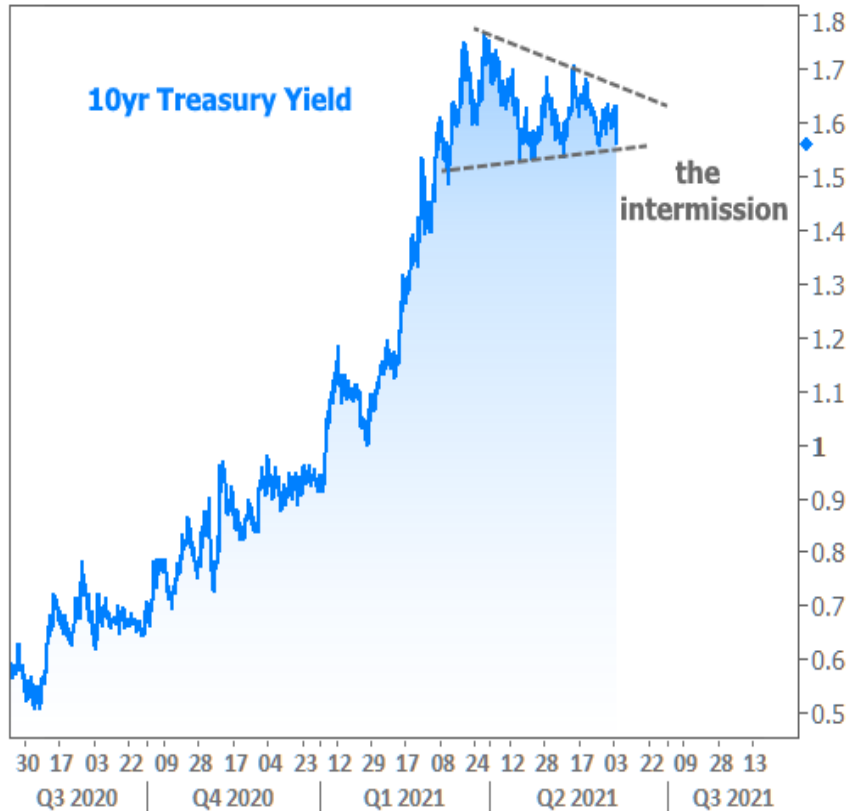
When we look at a minute-by-minute breakdown of the reaction to the jobs report, we can see **just how nervous** both sides of the market were. Stocks and bonds (aka "rates") improved almost instantly and rather significantly.



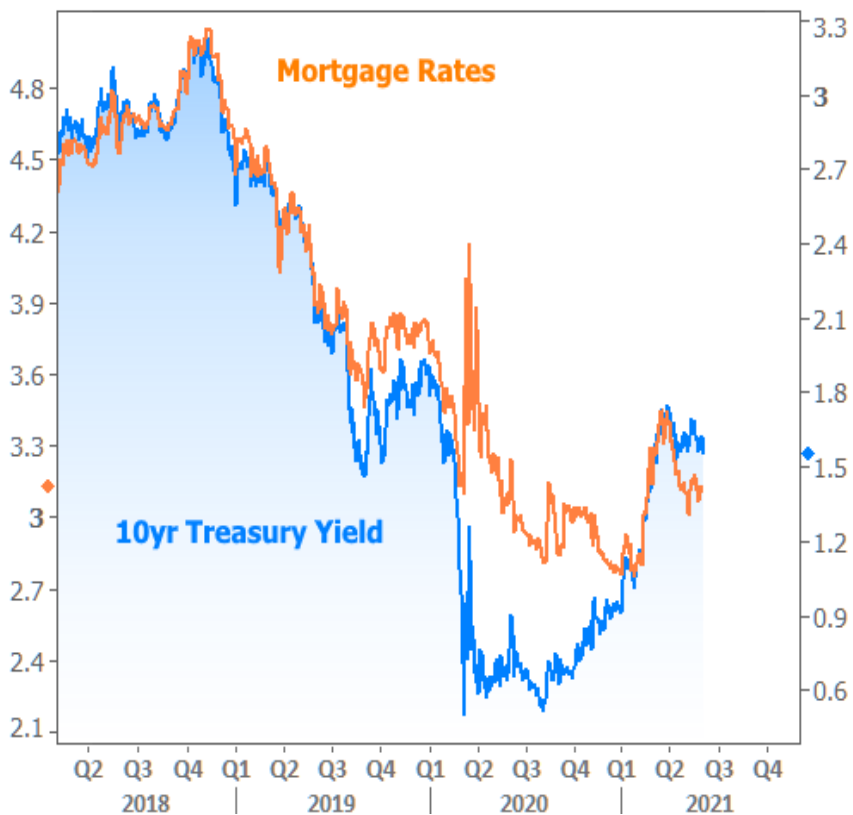
And when we zoom out a bit, we get the impression that this isn't the first time stocks and bonds have moved in this symmetrical pattern--improving together when expectations for Fed support improve and losing ground together when Fed support seems less certain.



We're using stocks in the charts above purely to illustrate a point about how the overall financial market reacts to Fed accommodation prospects. The bond market is what matters for rates, and the **big picture is fairly clear**: despite any short-term volatility, we remain in an "intermission" after rates moved higher at the beginning of the year.



Side note: mortgage rates haven't cut the same path as Treasuries, but that was an **exception** to a generally well-behaved rule. While we may still see small departures from that rule, the big disconnect from 2020 is now resolved. Translation: it's once again OK for mortgage rate watchers to pay attention to Treasury yield trends.



So what does this week's jobs report mean for rates? It means we get to do the same song and dance next month, if not sooner! The jobs report data was collected over 3 weeks ago and things are changing rapidly. Each new update on the labor market runs the risk of making Fed taper talk a reality. We can enjoy these short-term recoveries in rates, but barring a major economic stumble, the intermission is more likely to give way to another move higher.

Subscribe to my newsletter online at: <http://mortgagenewsletter.net/homeloansbysteve>

Recent Economic Data

| Date | Event | Actual | Forecast | Prior |
|--------------------------|---------------------------------|--------|----------|--------|
| Tuesday, Jun 01 | | | | |
| 10:00AM | May ISM Manufacturing PMI | 61.2 | 60.9 | 60.7 |
| 10:00AM | Apr Construction spending (%) | 0.2 | 0.5 | 0.2 |
| Wednesday, Jun 02 | | | | |
| 7:00AM | w/e MBA Purchase Index | 261.4 | | 269.8 |
| 7:00AM | w/e MBA Refi Index | 3022.0 | | 3168.8 |
| Thursday, Jun 03 | | | | |
| 7:30AM | May Challenger layoffs (k) | 24.586 | | 22.913 |
| 8:15AM | May ADP National Employment (k) | 978 | 650 | 742 |
| 8:30AM | w/e Jobless Claims (k) | 385 | 390 | 385 |

Event Importance:

- No Stars = Insignificant
- ☆ Low
- ★ Moderate
- ★★ Important
- ★★★ Very Important

| Date | Event | Actual | Forecast | Prior |
|--------------------------|------------------------------------|--------|----------|--------|
| 10:00AM | May ISM N-Mfg PMI | 64.0 | 63.0 | 62.7 |
| Friday, Jun 04 | | | | |
| 8:30AM | May Non-farm payrolls (k) | 559 | 650 | 266 |
| 8:30AM | May Unemployment rate mm (%) | 5.8 | 5.9 | 6.1 |
| 10:00AM | Apr Factory orders mm (%) | -0.6 | -0.2 | 1.1 |
| Tuesday, Jun 08 | | | | |
| 8:30AM | Apr International trade mm \$ (bl) | -68.9 | -69.0 | -74.4 |
| 1:00PM | 3-Yr Note Auction (bl) | 58 | | |
| Wednesday, Jun 09 | | | | |
| 7:00AM | w/e MBA Purchase Index | 262.1 | | 261.4 |
| 7:00AM | w/e MBA Refi Index | 2869.2 | | 3022.0 |
| 10:00AM | Apr Wholesale inventories mm (%) | 0.8 | 0.8 | 0.8 |
| Thursday, Jun 10 | | | | |
| 8:30AM | May Core CPI (Annual) (%) | 3.8 | 3.4 | 3.0 |
| Friday, Jun 11 | | | | |
| 10:00AM | Jun 1yr Inflation Outlook (%) | 4.0 | | 4.6 |
| 10:00AM | Jun 5yr Inflation Outlook (%) | 2.8 | | 3.0 |
| 10:00AM | Jun Consumer Sentiment | 86.4 | 84.0 | 82.9 |
| Monday, Jul 12 | | | | |
| 1:00PM | 10-yr Note Auction (bl) | 38 | | |
| Tuesday, Jul 13 | | | | |
| 1:00PM | 30-Yr Bond Auction (bl) | 24 | | |

Service oriented, responsive, competitive rates and an in depth knowledge of todays mortgage market

After completing my degree in finance at the University of Connecticut, I started in the mortgage business right out of college in 2004. With 15+ years of experience and a primary objective of thoroughly explaining all available loan options to my clients with what is typically the largest investment in their lives, I strive to always make myself available. I constantly educate myself with respect to the mortgage industry and underwriting guidelines for FHA, VA, conventional and jumbo financing. I deliver on the expectations discussed up front and provide the service level my clients deserve from day one. I will remain in touch throughout the process and continue to follow up with you after closing. My goal is to wow you and turn you into clients for life. I want you to be so impressed that throughout and after the process you share my information with your friends, family, neighbors and co-workers who may value from my services.

Steve Chizmadia

