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# Time to Start Thinking About Incredibly High Volatility Potential

This newsletter series spent 3 straight weeks trying to remind readers that mortgage rates could go higher after the Fed rate cut, and then several more weeks warning about the high stakes jobs report. We had no way of knowing how the future would play out then, and that continues to be the case, but it's time to get the next big warning on the table.

The past 5 months have seen some decent examples of volatility in financial markets, including mortgage rates. But the past week and a half has done a lousy job of preparing us for what could be a staggeringly volatile November.

Despite some headlines suggesting sharply higher mortgage rates this week (due to Freddie Mac's delayed weekly index), things have actually been mostly sideways since last Monday. That was the next business day after the big jobs report earlier in the month. Those two days accounted for 0.36% of upward movement in mortgage rates and we've stayed inside a 0.06% range ever since, according to MND's daily rate index.

## National Average Mortgage Rates




| Mortgage News Daily | Rate | Change | Points |
|---|---|---|---|
| 30YR Fixed | 7.27% | -0.02 | 0.00 |
| 15YR Fixed | 6.92% | -0.03 | 0.00 |
| 30YR FHA | 6.90% | -0.01 | 0.00 |
| 30YR Jumbo | 7.55% | 0.00 | 0.00 |
| 7/6 SOFR | 6.78% | -0.10 | 0.00 |
| 30YR VA | 6.91% | -0.01 | 0.00 |

Rates as of: 10/30

## MBS and Treasury

| | Price / Yield | Change |
|---|---|---|
| MBS UMBS 6.0 | 99.83 | +0.02 |
| 10 YR Treasury | 4.9078 | -0.0221 |
| 30 YR Treasury | 5.2740 | -0.0342 |

Pricing as of: 11/2 8:24AM EST

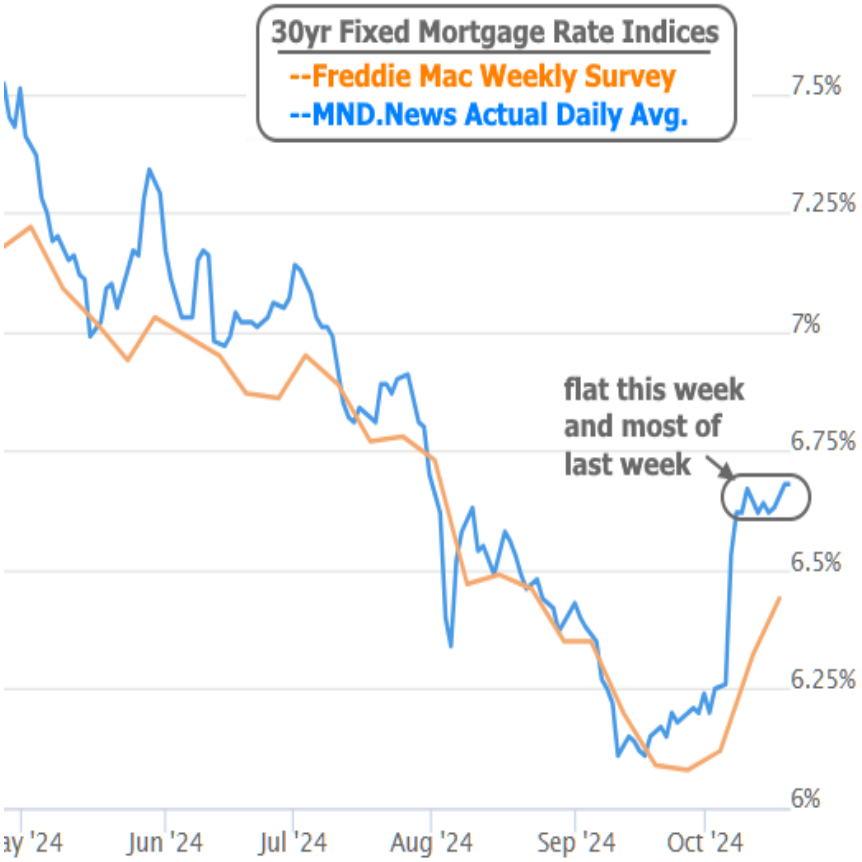
## Recent Housing Data

| | | Value | Change |
|---|---|---|---|
| Mortgage Apps | Oct 21 | 195 | +3.39% |
| Building Permits | Sep | 1.4M | +0.43% |
| Housing Starts | Sep | 1.22M | -4.24% |
| New Home Sales | Sep | 676K | -1.17% |
| Pending Home Sales | Aug | 71.2 | 0% |
| Existing Home Sales | Oct | 3.99M | +0.25% |
| Builder Confidence | Oct | 29 | -9.38% |

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If you were tuned into interest rate and market movements in 2020-2022, you've already seen some real volatility. While potential isn't always realized, it's important to understand that the first 6 days of November could bring big changes to the market.

This isn't too hard to believe given all that can change after a presidential election, but the same 6 day window will also play host to another jobs report that's just as important as the last one.

One day after the election, we get the next Fed rate announcement, which has at least some chance to result in "no rate cut" after a double-sized cut at the last meeting. This is actually the least important ingredient in November's volatility cocktail, but largely because the market will try to adjust for the Fed ahead of time based on how the jobs report comes out.

Using 10yr Treasury yields as a benchmark for interest rate movement, let's refresh our memories as to the potential volatility associated with elections and the major policy changes that can follow (like the tax bill in late 2017).

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In this context, the election wasn't the biggest source of volatility, but in outright terms, it saw rates increase by over 1% with a majority of that occurring in the first few weeks. We'll dig into this topic a bit more next week, but for now, just be ready for a big move in either direction.

As for this week, it was forgettable enough that we don't need to spend any more time on it. Nonetheless, we had some charts ready to go and everyone likes charts. So here they are... submitted without (much) comment:

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The chart above covers the 3 main components of the Census Bureau's new residential construction report. The chart below is the same thing on a longer timeline. The only interesting thing to see here is the different takeaways about the construction side of the housing industry depending on permits/starts versus actual completions.

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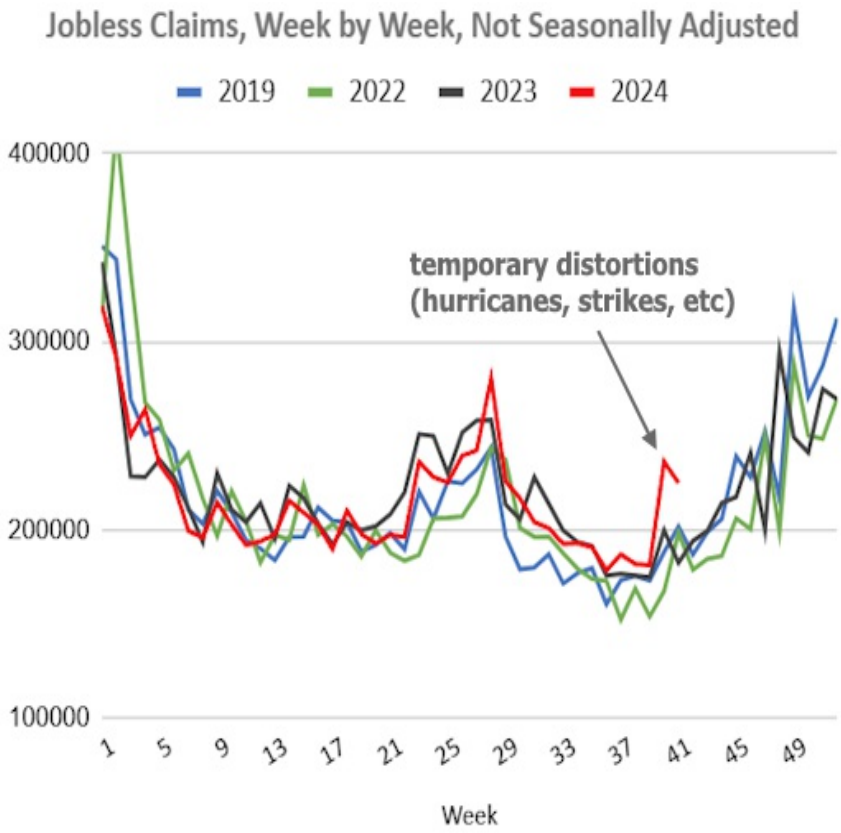



The next two charts focus on Thursday morning's econ data (the only day of the week with important data). Jobless Claims remained elevated, which would have helped bonds if they weren't elevated for temporary reasons. Moreover, traders expected claims to come in even higher.

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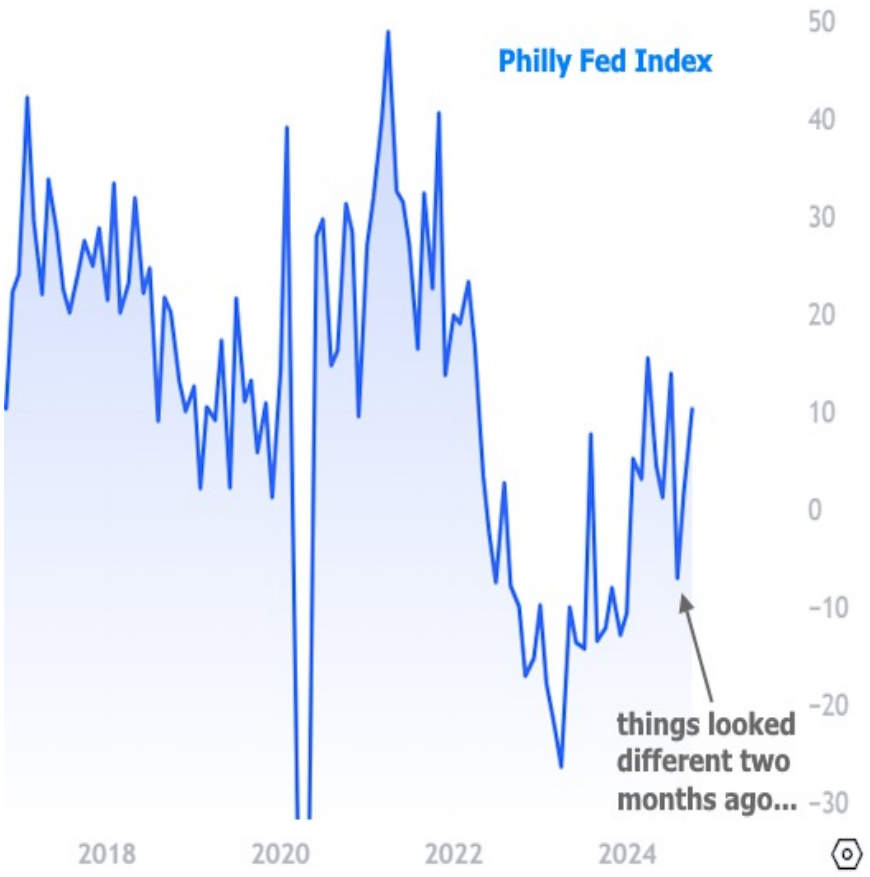



The Philly Fed Index was much higher than expected, adding additional upward pressure for rates, albeit on a small scale in the bigger picture.

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## Recent Economic Data

| Date | Event | Actual | Forecast | Prior |
|---|---|---|---|---|
| **Tuesday, Oct 15** | | | | |
| 8:30AM | Oct NY Fed Manufacturing | -11.90 | 3.8 | 11.50 |
| **Wednesday, Oct 16** | | | | |
| 7:00AM | Oct/11 MBA Refi Index | 734.6 | | 997.3 |
| 7:00AM | Oct/11 MBA Purchase Index | 138.4 | | 149.2 |
| **Thursday, Oct 17** | | | | |
| 8:30AM | Oct/12 Jobless Claims (k) | 241K | 260K | 258K |
| 8:30AM | Oct Philly Fed Business Index | 10.3 | 3 | 1.7 |
| 8:30AM | Sep Retail Sales (%) | 0.4% | 0.3% | 0.1% |
| 9:15AM | Sep Industrial Production (%) | -0.3% | -0.2% | 0.8% |
| 10:00AM | Oct NAHB housing market indx | 43 | 42 | 41 |
| 10:00AM | Aug Business Inventories (%) | 0.3% | 0.3% | 0.4% |
| **Friday, Oct 18** | | | | |
| 8:30AM | Sep Building permits: number (ml) | 1.428M | 1.46M | 1.47M |
| 8:30AM | Sep Housing starts number mm (ml) | 1.354M | 1.35M | 1.356M |

## Event Importance:

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

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| Date | Event | Actual | Forecast | Prior |
|---|---|---|---|---|
| **Wednesday, Oct 23** | | | | |
| 10:00AM | Sep Existing home sales (ml) | 3.84M | 3.9M | 3.86M |
| **Thursday, Oct 24** | | | | |
| 8:30AM | Oct/19 Jobless Claims (k) | 227K | 242K | 241K |
| 9:45AM | Oct S&P Global Services PMI | 55.3 | 55 | 55.2 |
| 10:00AM | Sep New Home Sales (ml) | 0.738M | 0.72M | 0.716M |
| **Friday, Oct 25** | | | | |
| 8:30AM | Sep Durable goods (%) | -0.8% | -1% | 0.0% |
| 10:00AM | Oct Consumer Sentiment (ip) | 70.5 | 69 | 70.1 |

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