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Mortgage Banker, Since 1985
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Rates Bounce After Hitting 2 Month Lows

Interest rates were remarkably calm in the last week of March. The market was in the process of shifting focus from the banking sector back to economic data. It just so happened that last week was light on data. This week was quite the opposite.

The first week of any given month often brings several of the most meaningful monthly economic releases. These include reports from the Institute for Supply Management (ISM) and most notably, the Employment Situation (more commonly referred to as "the jobs report").

Virtually all of the economic data that came out in the first 3 days of the week was good for bonds/rates. In other words, the data was weaker than expected. Bonds benefit from weak data because a slower economy is less capable of sustaining growth and inflation--two of the main pillars of interest rates.

As expected, bonds were eager to get some actionable economic updates and rates wasted no time responding to downbeat news from ISM. There are two flavors of ISM Purchasing Managers Indices (PMIs). Each can be thought of as a broad barometer for growth in the corresponding sector where anything over 50 is good/growing and anything under 50 signals contraction.

National Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.11%	-0.01	0.00
15 Yr. Fixed	6.61%	-0.01	0.00
30 Yr. FHA	6.58%	-0.01	0.00
30 Yr. Jumbo	7.37%	0.00	0.00
5/1 ARM	7.29%	-0.01	0.00
Freddie Mac			
30 Yr. Fixed	7.09%	-0.35	0.00
15 Yr. Fixed	6.38%	-0.38	0.00

Rates as of: 5/14

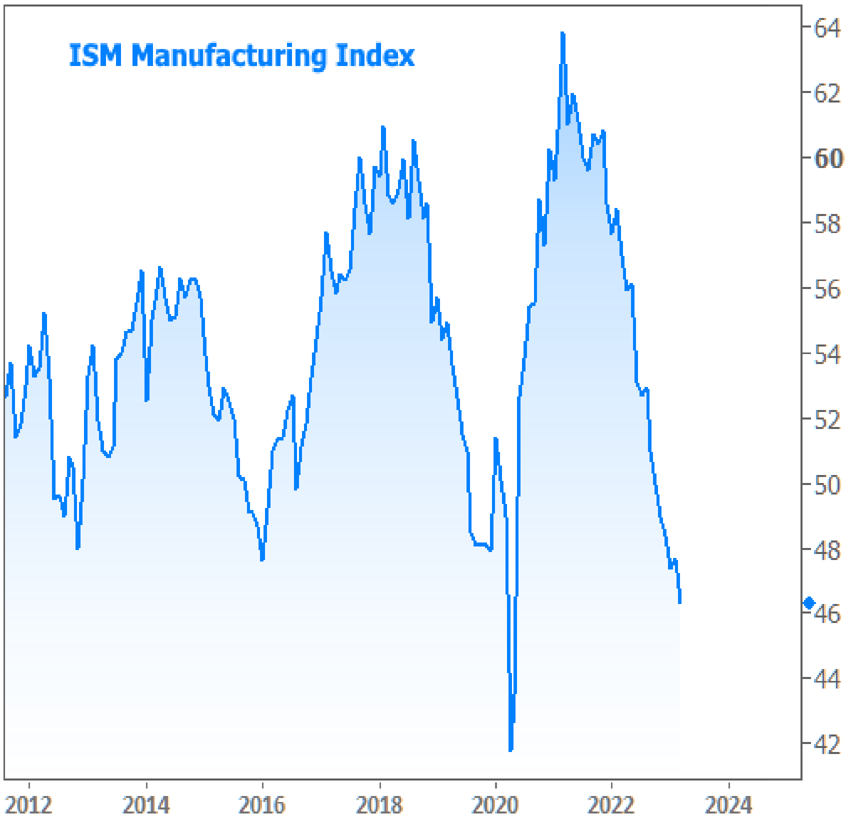
Market Data

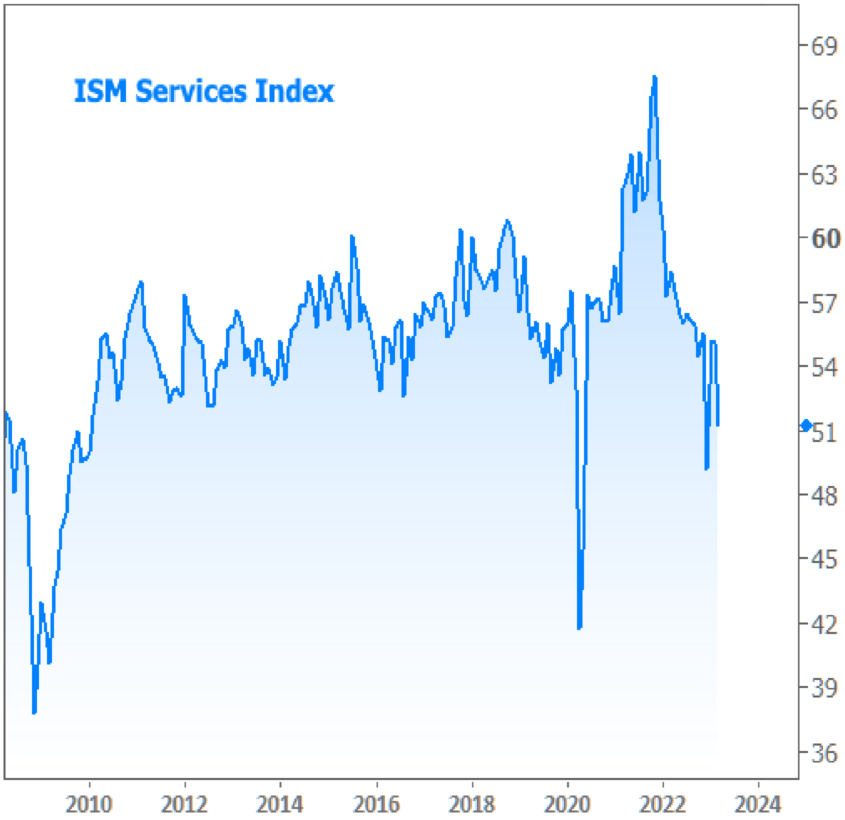
	Price / Yield	Change
MBS UMBS 6.0	100.39	+0.24
MBS GNMA 6.0	101.24	+0.21
10 YR Treasury	4.4404	+0.0020
30 YR Treasury	4.6279	-0.0068

Pricing as of: 5/14 9:48PM EST

Recent Housing Data

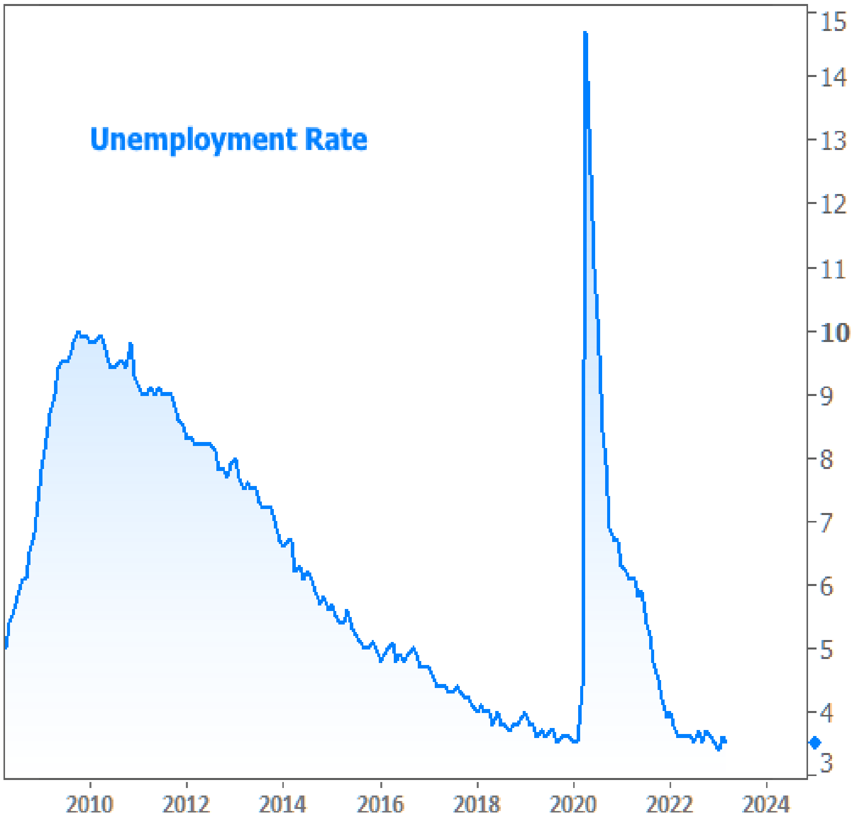
		Value	Change
Mortgage Apps	Apr 24	196.7	-2.67%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%
Builder Confidence	Mar	51	+6.25%


ISM Manufacturing Index
64
62
60
58
56
54
52
50
48
46
44
42
2012
2014
2016
2018
2020
2022
2024

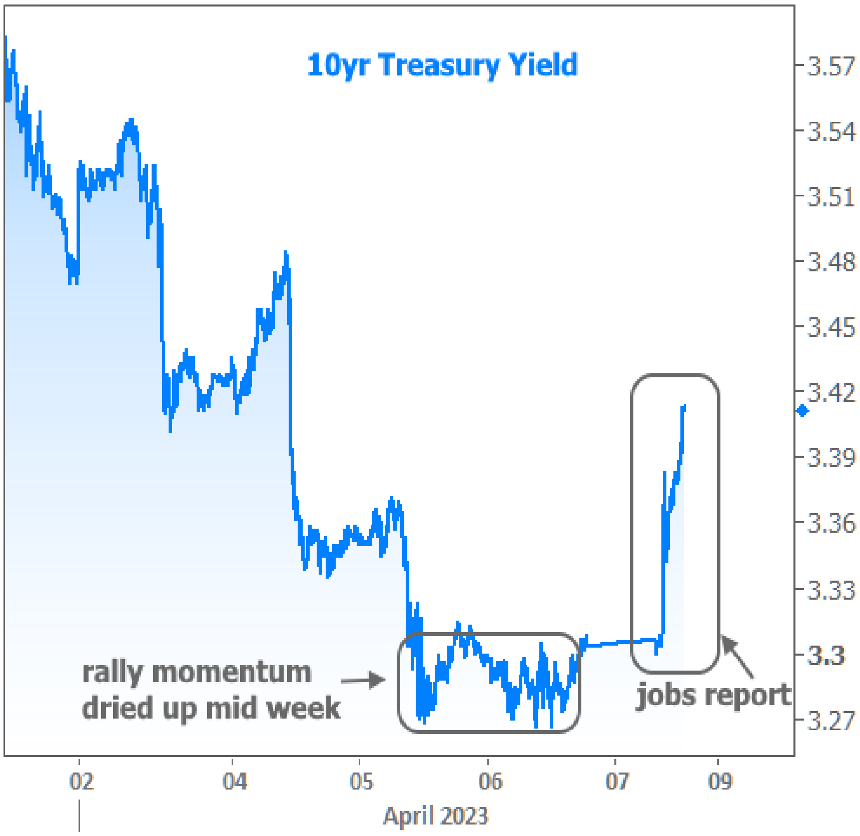

ISM Services Index
69
66
63
60
57
54
51
48
45
42
39
36
2010
2012
2014
2016
2018
2020
2022
2024

Rounding out the rate-friendly news in the first half of the week, the Job Openings and Labor Turnover Survey (JOLTS) showed much lower job openings in the month of February. The numbers are still very high overall, but markets are looking for a trend as opposed to an outright level. Taken in conjunction with the ISM data, JOLTS added to the sense that persistently resilient economic momentum is cooling off.

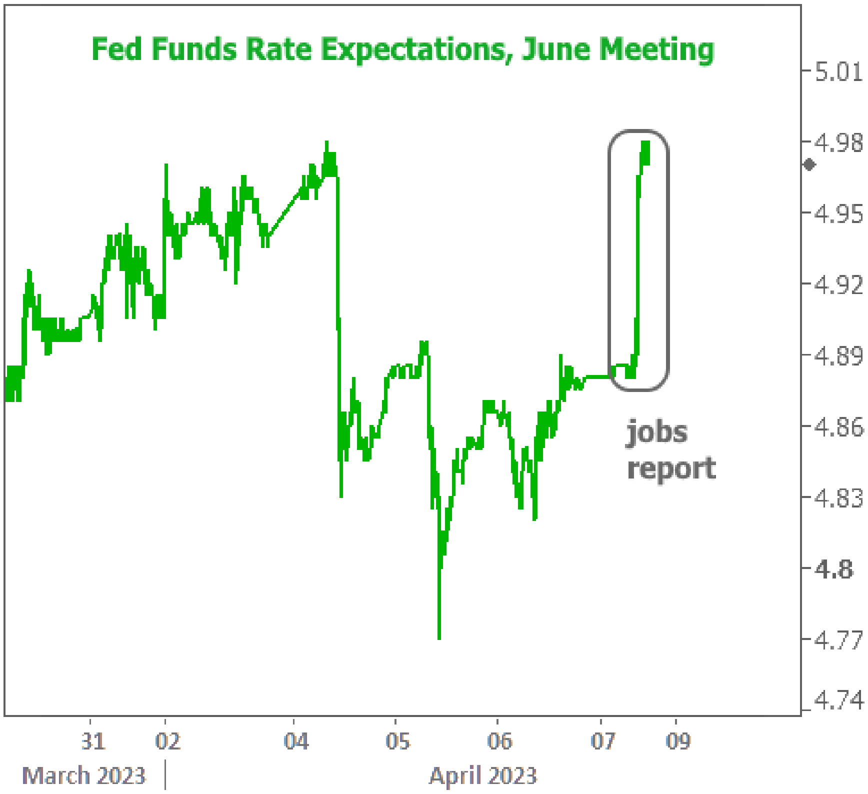
But JOLTS wasn't the market's first choice of labor market indicators for the week. The big jobs report is in a different league. In this case, it actually had something different to say. Job creation was right in line with expectations. Wage growth stayed solid. Unemployment ticked down to 3.5%, and the labor force grew to its largest level since March 2020. It would be hard to make a strong case for labor market weakness when a chart of the unemployment rate looks like this:



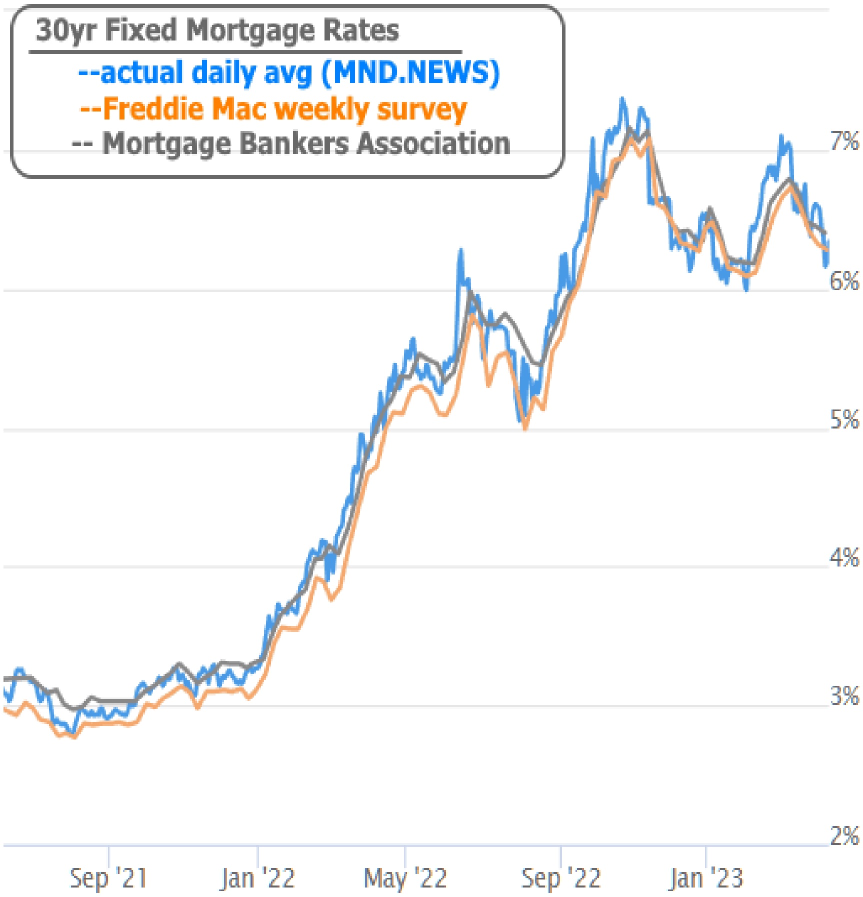
The bond market agreed and quickly re-thought some of the progress it had made in the wake of the week's previous data. To be fair, traders already thought plenty of progress had been made by Wednesday morning based on the way momentum toward lower rates dried up by the middle of Wednesday.



The reversal was even more pronounced for Fed rate hike expectations. At one point, the market had completely priced out the chance that the Fed would hike rates again this year. But after the jobs report, rate expectations returned to the same levels from the start of the week.



Mortgage rates almost always follow the rest of the bond market, even though the proportions can vary. The average lender made it down to the lowest 30yr fixed rates since early February by Thursday, but then bounced higher with the rest of the bond market on Friday. On a bright note, the bounce in mortgage rates wasn't nearly as big as it was for other parts of the bond market.



In the bigger picture, top tier rates have been consolidating in a range between 6 and 7 percent, roughly. This is emblematic of the broader debate for the entire bond market. Whether it's 6-7% in mortgages or 3.3-3.8% in 10yr Treasury yields, markets are waiting for clarity on growth and inflation. If this week's data was only worth a small amount of volatility in that broader range, it's not hard to imagine that we'll need a few months of consistent messaging from other economic data to settle the debate.

Still, some voices are louder than others when it comes to this particular debate and we'll hear from one of the loudest next week. The Consumer Price Index (CPI) will be released on Wednesday morning. If there is one other report with as much street cred as the big jobs report these days, CPI is it. If it shows core inflation coming in hotter than expected for March, rates would be under pressure to head back up into the prevailing range. But if inflation looks like it's shifting into a calmer gear, rates might not need much more convincing before attempting to break below that range.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Monday, Apr 03				

Event Importance:

No Stars = Insignificant

☆ Low

★ Moderate

Date	Event	Actual	Forecast	Prior
10:00AM	Mar ISM Manufacturing PMI	46.3	47.5	47.7
10:00AM	Mar ISM Mfg Prices Paid	49.2	51.0	51.3
10:00AM	Feb Construction spending (%)	-0.1	0.0	-0.1
Tuesday, Apr 04				
10:00AM	Feb Factory orders mm (%)	-0.7	-0.5	-1.6
10:00AM	Job Openings and Labor Turnover Survey (JOLTS)			
Wednesday, Apr 05				
7:00AM	w/e MBA Refi Index	477.2		504.4
8:15AM	Mar ADP jobs (k)	145	200	242
8:30AM	Feb Trade Gap (bl)	-70.5	-69.0	-68.3
10:00AM	Mar ISM N-Mfg PMI	51.2	54.5	55.1
Thursday, Apr 06				
7:30AM	Mar Challenger layoffs (k)	89.703		77.770
8:30AM	w/e Jobless Claims (k)	228	200	198
Friday, Apr 07				
8:30AM	Mar Non-farm payrolls (k)	236	239	311
8:30AM	Mar Average earnings mm (%)	0.3	0.3	0.2
8:30AM	Mar Unemployment rate mm (%)	3.5	3.6	3.6
Tuesday, Apr 11				
1:00PM	3-Yr Note Auction (bl)	40		
Wednesday, Apr 12				
7:00AM	w/e MBA Purchase Index	179.6		166.6
7:00AM	w/e MBA Refi Index	477.5		477.2
8:30AM	Mar m/m CORE CPI (%)	0.4	0.4	0.5
8:30AM	Mar y/y CORE CPI (%)	5.6	5.6	5.5
1:00PM	10-yr Note Auction (bl)	32		
Thursday, Apr 13				
8:30AM	Mar Core Producer Prices MM (%)	-0.1	0.3	0.0
8:30AM	Mar Core Producer Prices YY (%)	3.4	3.4	4.4
8:30AM	w/e Jobless Claims (k)	239	232	228
1:00PM	30-Yr Bond Auction (bl)	18		
Friday, Apr 14				
8:30AM	Mar Retail Sales (%)	-1.0	-0.4	-0.4
8:30AM	Mar Import prices mm (%)	-0.6	-0.1	-0.1
9:15AM	Mar Industrial Production (%)	0.4	0.2	0.0
10:00AM	Apr Consumer Sentiment	63.5	62.0	62.0

Important
Very Important

Who is Mid Valley Financial?

Mid Valley Financial, located in Fresno, CA, is the Central Valley’s premier destination for a wide range of residential and commercial real estate loans. Our commitment to excellence has made us a trusted partner for property buyers and investors seeking tailored financial solutions.

Why Choose Us:
With a track record spanning back to our inception in 1985, we have established ourselves as a reliable and innovative lender. We proudly serve properties exclusively within California, having funded loans in all 58 counties of the state. Our deep-rooted experience enables us to navigate complex loan scenarios with expertise and efficiency.

Our Approach:
At Mid Valley Financial, we prioritize your financial goals. Whether you're a first-time homebuyer, envisioning your dream property, refinancing an existing mortgage, or looking to tap into your property's equity, our seasoned loan officers offer a wealth of knowledge and over 300 years of collective experience. We ensure that your funds are prepared when you need them, providing a smooth and swift loan process.

Unlocking Possibilities:
As one of California’s leading direct lenders, we've streamlined the loan process, minimizing obstacles that often deter borrowers. Many of our clients receive approvals within an hour, showcasing our dedication to quick and hassle-free solutions.

Your Journey with Us:
Contact the MVF team today and let us put your journey to property ownership on cruise control. Our mission is to empower borrowers while fostering enduring and meaningful relationships. With highly competitive rates, a commitment to transparency, and a dedication to your financial success, Mid Valley Financial is your partner in realizing your real estate aspirations.

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