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# Extremely Risky Week Coming Up For Better or Worse

Tuesday December 13th is the day many people have been waiting for ever since Thursday November 10th. What do those two days have in common? They each mark the monthly release of the Consumer Price Index, the official inflation data responsible for some of 2022's wildest trading days.

Wild trading days aren't just for traders. They have a big impact on mortgage rates, not to mention bigger picture impacts. For instance, if a wild trading day were to ensue from a higher reading on inflation, it would imply more restrictive policies from the Federal Reserve. That's something that can shape entire economic cycles, potentially hastening the recession that some market-watchers expect in 2023.

In the case of December 13th, it makes a lot of sense to worry about the implications for Fed policy. The Fed releases its next statement the very next day! It's a near certainty that the Fed will hike rates by 0.50%, a 0.25% decrease from the last hike in early November. Markets won't be reacting to that as much as the info the Fed publishes alongside the rate hike.

Of specific concern is the proverbial "dot plot." This is a reference to the format of the Fed's forward-looking rate forecasts, published in dot plot format showing each Fed member's thoughts. The "dots," as they're also called, frequently have the biggest impact on financial markets on the days when they come out (only 4 of the 8 Fed meetings per year).

In addition to the dots, the press conference with Fed Chair Powell will provide a venue for the Fed to share the brunt if its reaction to Tuesday's inflation data. Reason being: we can't be sure how many of the Fed members will update their rate outlook for data that comes out on the same day that the Fed begins its meeting. If markets are wondering how well the dots reflect Tuesday's CPI data, Powell may be able to clear it up.

As for this past week's market movement, traders looked for opportunities to react to the inflation data of lesser importance. This was first evident when quarterly labor costs came in much lower than expected on Wednesday. Then on Friday, higher wholesale inflation combined with stronger consumer sentiment to push rates back in the other direction. This can be seen in the chart of 10yr Treasury yields below. The 10yr is the most popular benchmark for longer rates such as mortgages.

## National Average Mortgage Rates




| Mortgage News Daily | Rate | Change | Points |
|---|---|---|---|
| 30YR Fixed | 7.33% | -0.12 | 0.00 |
| 15YR Fixed | 6.89% | -0.10 | 0.00 |
| 30YR FHA | 6.95% | -0.10 | 0.00 |
| 30YR Jumbo | 7.44% | -0.06 | 0.00 |
| 7/6 SOFR | 6.81% | -0.19 | 0.00 |
| 30YR VA | 6.97% | -0.10 | 0.00 |

Rates as of: 11/20

## MBS and Treasury

| | Price / Yield | Change |
|---|---|---|
| MBS UMBS 6.0 | 99.51 | +0.41 |
| 10 YR Treasury | 4.9403 | -0.1033 |
| 30 YR Treasury | 5.3324 | -0.0738 |

Pricing as of: 11/20 5:59PM EST

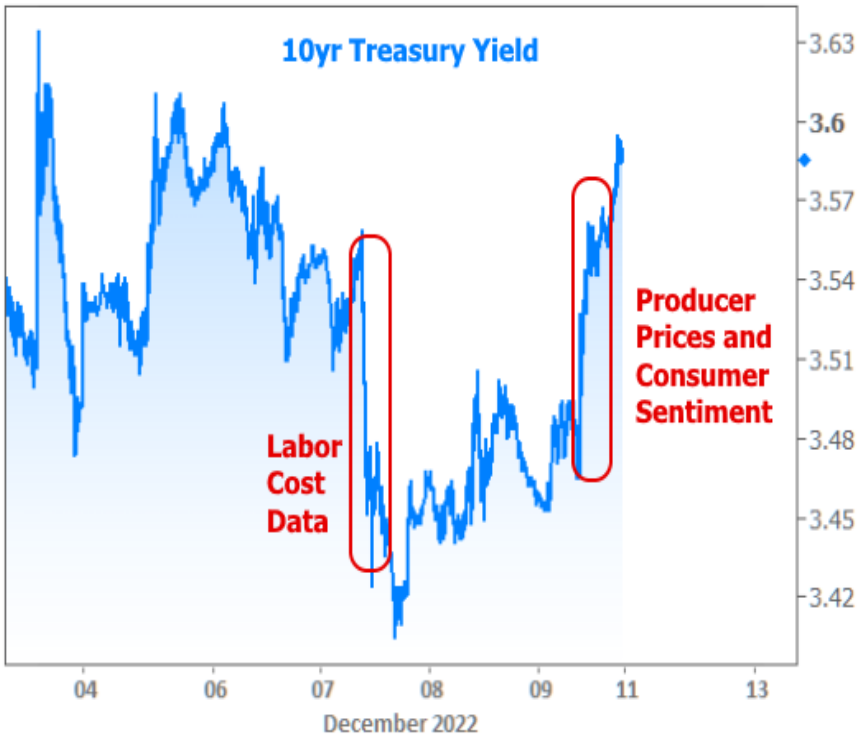
## Recent Housing Data

| | | Value | Change |
|---|---|---|---|
| Mortgage Apps | Nov 11 | 199.8 | -2.35% |
| Building Permits | Oct | 1.3M | -7.5% |
| Housing Starts | Oct | 1.31M | +7.21% |
| New Home Sales | Sep | 676K | -1.17% |
| Pending Home Sales | Oct | 63 | -4.69% |
| Existing Home Sales | Oct | 3.99M | +0.25% |
| Builder Confidence | Nov | 25 | -13.79% |

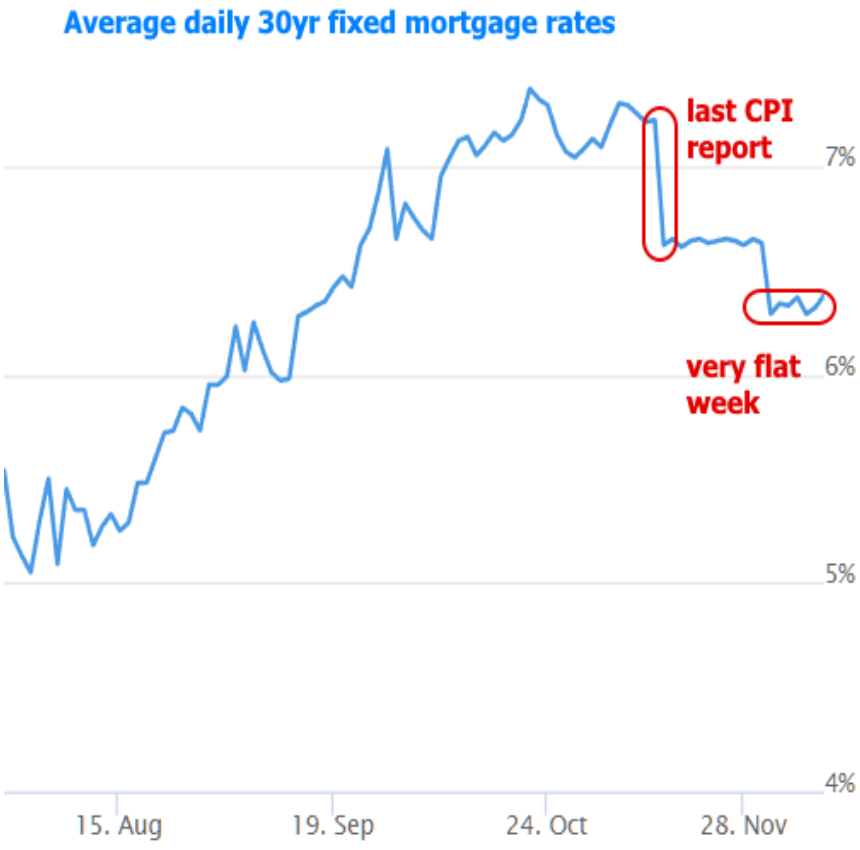
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While this may look volatile, it wasn't too dramatic in the bigger picture--a fact that can be easily seen when viewing a chart of average mortgage rates. After falling last Thursday after Powell commented on the potentially smaller rate hike ahead, rates have been very flat against the backdrop of the last CPI report.

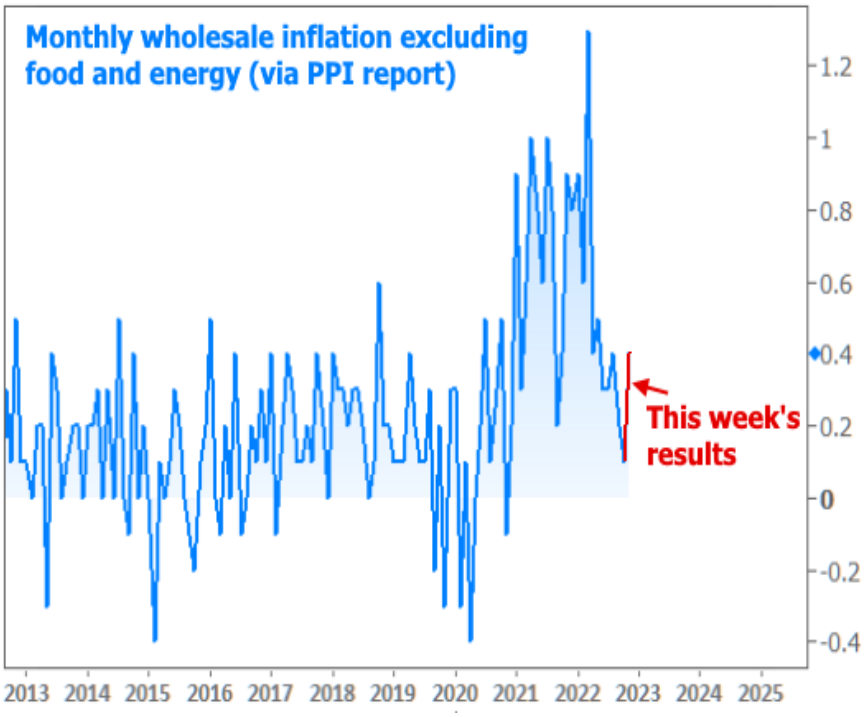



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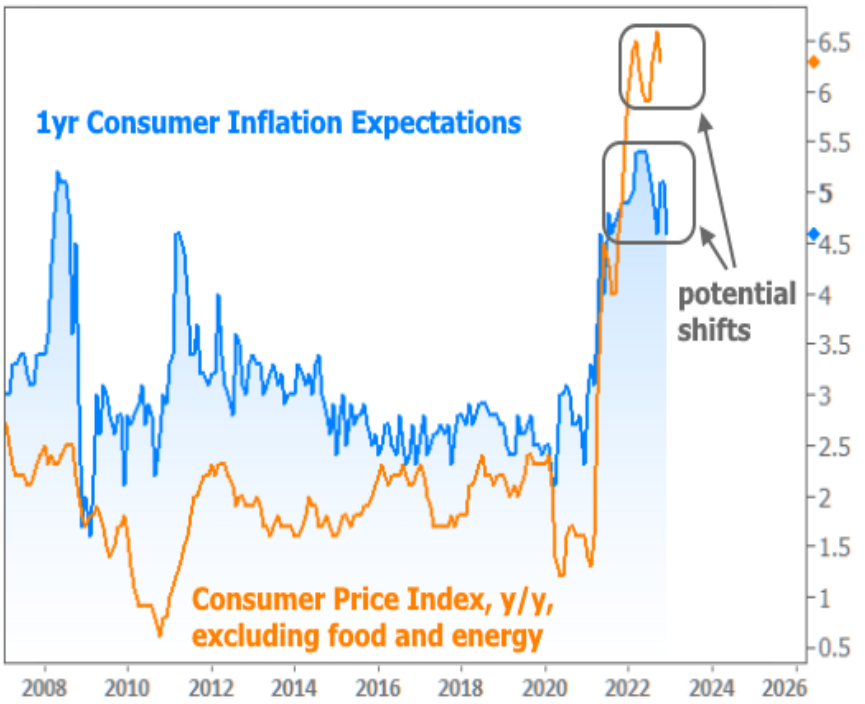
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Rates can be flat because they're waiting for more info, but also when there are mixed signals in the data. Friday offered a good example of mixed signals on inflation specifically. Here's the bounce in producer prices (the "wholesale inflation" mentioned above). It suggests higher-than-expected inflation next week.




But Consumer Sentiment data suggested lower inflation next week. The survey asks consumers for their price outlook over the next year. Friday's results showed a big drop from the previous survey to the lowest levels in 2022. A survey of consumer's thoughts on inflation might seem trivial compared to big ticket economic reports, but this particular data point often tends to foreshadow big picture shifts in inflation momentum. The following chart shows the survey response in blue overlaid with the Core CPI number (THE inflation metric that has the market on the edge of its seat next week).




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We can't know whether CPI will come out higher or lower than expected. Forecasters have already honed in on the best guess and markets have already positioned for it. All we can know is that the farther the number falls from those forecasts, the bigger the potential market movement, for better or worse. That means next Tuesday could see 30yr fixed mortgage rates screaming back up toward 7% or falling farther toward 6%. A bit of the reaction may be reserved for the Fed on Wednesday, but between those two days, we have one of our biggest instances of potential volatility in a long time.

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## Recent Economic Data

| Date | Event | Actual | Forecast | Prior |
|---|---|---|---|---|
| **Monday, Dec 05** | | | | |
| 10:00AM | Oct Factory orders mm (%) | 1.0 | 0.7 | 0.3 |
| 10:00AM | Nov ISM N-Mfg PMI | 56.5 | 53.3 | 54.4 |
| **Tuesday, Dec 06** | | | | |
| 8:30AM | Oct Trade Gap (bl) | -78.2 | -80.0 | -73.3 |
| **Wednesday, Dec 07** | | | | |
| 7:00AM | w/e MBA Refi Index | 340.8 | | 325.5 |
| 7:00AM | w/e MBA Purchase Index | 175.5 | | 181.0 |
| 8:30AM | Q3 Labor Costs Revised (%) | 2.4 | 3.1 | 3.5 |
| **Thursday, Dec 08** | | | | |
| 8:30AM | w/e Jobless Claims (k) | 230 | 230 | 225 |
| **Friday, Dec 09** | | | | |
| 8:30AM | Nov Producer Prices (%) | 0.3 | 0.2 | 0.2 |
| 8:30AM | Nov Core Producer Prices YY (%) | 6.2 | 5.9 | 6.7 |
| 10:00AM | Dec 1yr Inflation Outlook (%) | 4.6 | | 4.9 |
| 10:00AM | Dec Consumer Sentiment | 59.1 | 56.9 | 56.8 |
| **Monday, Dec 12** | | | | |
| 11:30AM | 3-Yr Note Auction (bl) | 40 | | |
| **Tuesday, Dec 13** | | | | |
| 8:30AM | Nov m/m Headline CPI (%) | 0.1 | 0.3 | 0.4 |
| 8:30AM | Nov m/m CORE CPI (%) | 0.2 | 0.3 | 0.3 |
| 8:30AM | Nov y/y CORE CPI (%) | 6.0 | 6.1 | 6.3 |
| 8:30AM | Nov y/y Headline CPI (%) | 7.1 | 7.3 | 7.7 |
| **Wednesday, Dec 14** | | | | |
| 7:00AM | w/e MBA Purchase Index | 182.6 | | 175.5 |
| 7:00AM | w/e MBA Refi Index | 350.5 | | 340.8 |
| 8:30AM | Nov Import prices mm (%) | -0.6 | -0.5 | -0.2 |
| 8:30AM | Nov Export prices mm (%) | -0.3 | -0.4 | -0.3 |
| 2:00PM | N/A FOMC rate decision (%) | 4.250 - 4.500 | 4.375 | 3.875 |

## Event Importance:

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

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| Date | Event | Actual | Forecast | Prior |
|---|---|---|---|---|
| **Thursday, Dec 15** | | | | |
| 7:00AM | Bank of England Announcement | | | |
| 7:45AM | ECB Statement (Press Conf. 830am) | | | |
| 8:30AM | Nov Retail Sales (%) | -0.6 | -0.1 | 1.3 |
| 8:30AM | Dec Philly Fed Business Index | -13.8 | -10.0 | -19.4 |
| 8:30AM | Dec NY Fed Manufacturing | -11.2 | -1.00 | 4.50 |
| 8:30AM | w/e Jobless Claims (k) | 211 | 230 | 230 |
| 9:15AM | Nov Industrial Production (%) | -0.2 | 0.1 | -0.1 |
| 10:00AM | Oct Business Inventories (%) | 0.3 | 0.4 | 0.4 |
| **Friday, Dec 16** | | | | |
| 9:45AM | Dec Markit Composite PMI | 44.6 | 47.0 | 46.4 |
| **Wednesday, Jan 11** | | | | |
| 1:00PM | 10-yr Note Auction (bl) | 32 | | |
| **Thursday, Jan 12** | | | | |
| 1:00PM | 30-Yr Bond Auction (bl) | 18 | | |


## Who is Mid Valley Financial?

Since 1985, Mid Valley Financial has been a trusted partner for complex real estate financing solutions. We specialize in handling unique and challenging loan scenarios, including those with non-traditional income or asset documentation. Our expertise in hard money and private money lending offers quick funding and flexible terms for real estate investors, business owners, and agricultural operators. Whether you need funds for purchasing, renovating, or refinancing properties, our experienced team is here to help.

Beyond hard money lending, we offer a comprehensive suite of competitively priced home loan options, including conventional, FHA, VA, and jumbo loans. So whether you are a first-time homebuyer, looking to secure the family estate or vacation property, or have unique financial circumstances, our experienced team can help you find the best solution.

Our commitment to exceptional customer service and innovative financing solutions has made us one of the leading direct lenders and mortgage brokers in the California real estate market. With a proven track record of success and a focus on building long-term relationships, we're here to help you achieve your financial goals.

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