



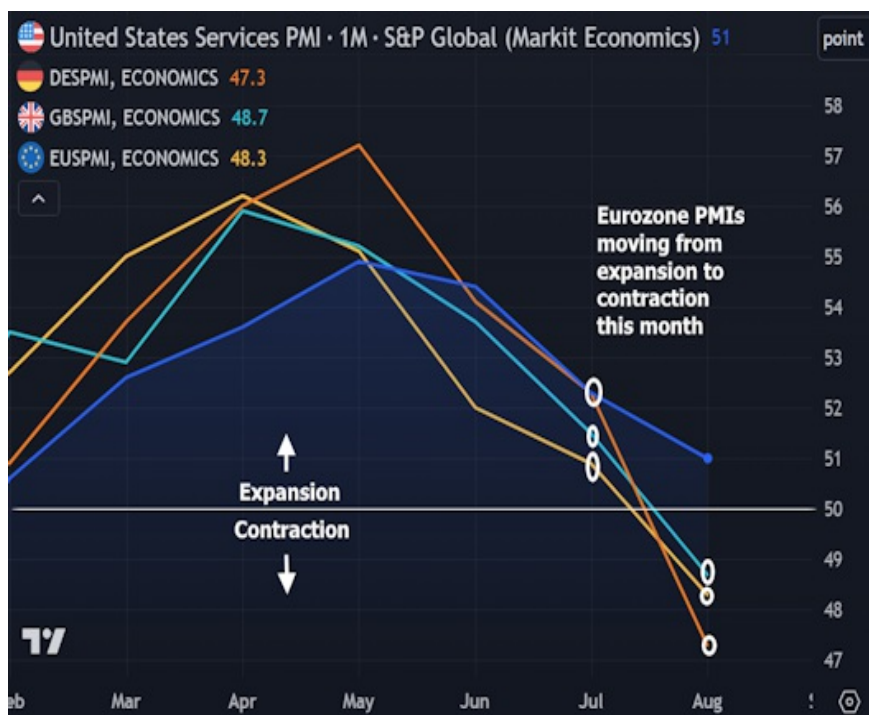
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Markets Were Anxious Over Powell, But Next Week Deserves More Attention

As the week began, the bond market continued heading toward higher rates at the same pace seen in the previous week. This made for the highest mortgage rates in more than 2 decades on both Monday and Tuesday (albeit not much higher than those seen in late 2022). Things calmed down on Wednesday as multiple European countries logged slower economic growth in a closely watched series of data. The US version of the same data was also weaker than expected, thus helping rates have their best day in several weeks and one of the best days in several months.



In general, weaker economic data coincides with falling rates. This is econ 101, but it's also a concept that the Fed has been driving home increasingly in the current environment. Rather than worry about weaker data, the Fed sees stronger data as a bigger risk. The economy has been more resilient than expected in the face of significantly higher rates, and the Fed has been clear in saying that it has little incentive to cut rates until the data suggests a bigger negative impact.

National Average Mortgage Rates



| | Rate | Change | Points |
|--|------|--------|--------|
|--|------|--------|--------|

Mortgage News Daily

| | | | |
|--------------|-------|-------|------|
| 30 Yr. Fixed | 6.89% | 0.00 | 0.00 |
| 15 Yr. Fixed | 6.33% | +0.01 | 0.00 |
| 30 Yr. FHA | 6.33% | +0.01 | 0.00 |
| 30 Yr. Jumbo | 7.05% | 0.00 | 0.00 |
| 5/1 ARM | 6.58% | 0.00 | 0.00 |

Freddie Mac

| | | | |
|--------------|-------|-------|------|
| 30 Yr. Fixed | 6.77% | -0.09 | 0.00 |
| 15 Yr. Fixed | 6.05% | -0.11 | 0.00 |

Rates as of: 7/22

Market Data

| | Price / Yield | Change |
|----------------|---------------|---------|
| MBS UMBS 5.5 | 99.39 | -0.01 |
| MBS GNMA 5.5 | 99.78 | +0.00 |
| 10 YR Treasury | 4.2525 | +0.0146 |
| 30 YR Treasury | 4.4725 | +0.0257 |

Pricing as of: 7/22 5:59PM EST

Recent Housing Data

| | Value | Change |
|---------------------|--------------|---------|
| Mortgage Apps | Jul 10 206.1 | -0.19% |
| 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% |

Additionally, while many on the Fed have mentioned the possibility that rate hikes are done for now, just as many have expressed uncertainty as to whether additional hikes would be needed. The key determining factor would be inflation, but the Fed's concern is that economic strength could translate to unexpected resilience in inflation.

The market was looking forward (perhaps a bit too forward) to getting some greater clarity on these and other topics from Fed Chair Powell at Friday's annual Jackson Hole Symposium.

Hosted by the Kansas City Federal Reserve Bank, Jackson Hole draws central bankers and economists from around the world and has occasionally served as a venue that offers a sneak peek at potential shifts in policy or the economy itself.

More frequently, Jackson Hole is notable only for its great expectations and underwhelming reality. This year's example mostly falls into this category.

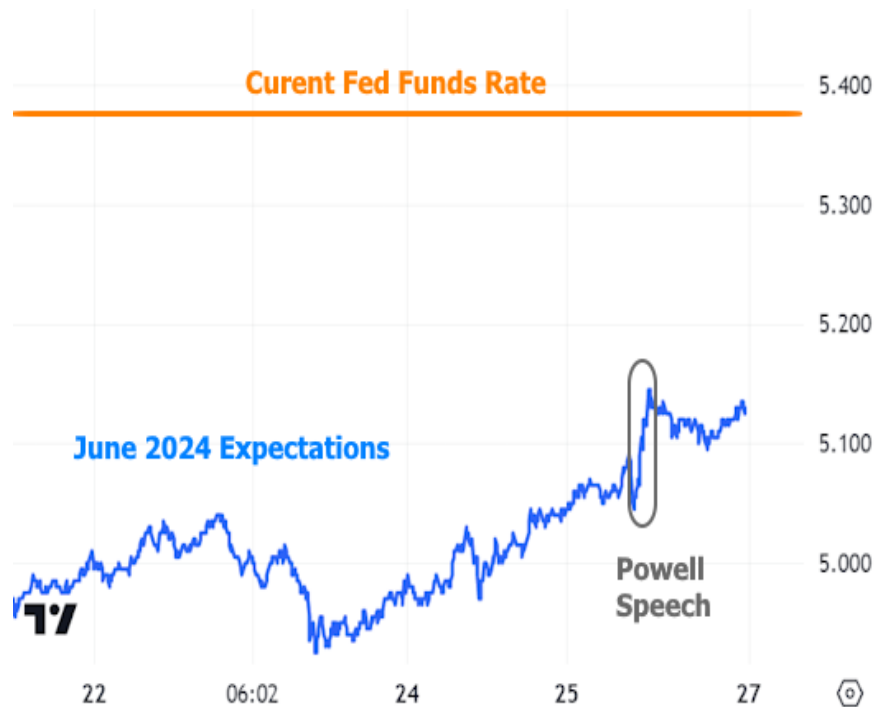
Powell was slated for the opening remarks. Market watchers were waiting for him to say something about the "neutral rate of return" (also R^* or "R-Star")--a hypothetical policy rate resulting in stable economic growth and stable, on-target inflation. The recent obsession over R-Star is due to the fear that the low baseline for interest rates has moved up permanently for a variety of reasons that can't possibly be determined or calculated any time soon.

As such, it wasn't too surprising to hear Powell say "we cannot identify with certainty the neutral rate of interest, and thus there is always uncertainty about the precise level of monetary policy restraint." Translation: he has no idea if R-Star is changing or will change.

The other even crazier anticipation surrounded the Fed's 2% inflation target with some market watchers wondering if the Fed was considering increasing the target due to the same sort of underlying structural issues that would underpin a higher R-star. Powell was even more clear on that topic: "Two percent is and will remain our inflation target."

In addition, the Fed Chair was extremely consistent with the press conference from July with respect to the delicate dance of fighting inflation without crippling the economy. On both occasions, by his own admission, they are flying blind to some extent. In his words, the Fed is "navigating by the stars under cloudy skies," and that "we will proceed carefully as we decide whether to tighten further or, instead, to hold the policy rate constant and await further data."

The market was apparently hoping for something a bit more rate-friendly. The reaction largely consisted of the futures market shifting bets on the level of the Fed Funds Rate at various points in the future. It's not so much that traders thought Powell was saying the Fed was more inclined to hike, but instead, simply less inclined to cut as quickly. In other words, markets were pricing in almost 2 rate cuts of 0.25% in by the middle of next year, but after this week, it's closer to only 1 rate cut.



All of the above kept some pressure on longer term bonds on Friday morning, resulting in the average mortgage lender offering higher rates out of the gate. As the day progressed and bonds stabilized, several lenders offered mid-day improvements. The net effect was slightly higher rates for the average lender, but not as high as those seen at the beginning of the week.

When it comes to events that inspire volatility, next week is a higher probability than Jackson Hole. There are multiple economic reports with strong, recent track records of influencing the bond market and, thus, interest rates. Starting on Tuesday, there is an important report every single day of the week. Several days have more than one, and Friday will bring the release of the jobs report for August--arguably the most important report of any given month.

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Recent Economic Data

| Date | Event | Actual | Forecast | Prior |
|--------------------------|------------------------------|--------|----------|--------|
| Tuesday, Aug 22 | | | | |
| 10:00AM | Jul Existing home sales (ml) | 4.07M | 4.15M | 4.16M |
| Wednesday, Aug 23 | | | | |
| 7:00AM | Aug/18 MBA Refi Index | 397.1 | | 408.4 |
| 7:00AM | Aug/18 MBA Purchase Index | 142 | | 149.5 |
| 9:45AM | Aug S&P Global Services PMI | 51 | 52.2 | 52.3 |
| 10:00AM | Jul New Home Sales (ml) | 0.714M | 0.705M | 0.684M |
| Thursday, Aug 24 | | | | |
| 8:30AM | Jul Durable goods (%) | -5.2% | -4% | 4.7% |
| 8:30AM | Aug/19 Jobless Claims (k) | 230K | 240K | 239K |
| Friday, Aug 25 | | | | |

Event Importance:

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

| Date | Event | Actual | Forecast | Prior |
|--------------------------|---|---------|----------|---------|
| 10:00AM | Aug Consumer Sentiment (ip) | 69.5 | 71.2 | 71.6 |
| 10:05AM | Powell Jackson Hole Speech | | | |
| Monday, Aug 28 | | | | |
| 11:30AM | 2-Yr Note Auction (bl) | 45 | | |
| 1:00PM | 5-Yr Note Auction (bl) | 46 | | |
| Tuesday, Aug 29 | | | | |
| 9:00AM | Jun Case Shiller Home Prices-20 y/y (%) | -1.2% | -1.3% | -1.7% |
| 9:00AM | Jun FHFA Home Prices y/y (%) | 3.1% | | 2.8% |
| 10:00AM | Jul USA JOLTS Job Openings | 8.827M | 9.465M | 9.582M |
| 1:00PM | 7-Yr Note Auction (bl) | 36 | | |
| Wednesday, Aug 30 | | | | |
| 8:15AM | Aug ADP jobs (k) | 177K | 195K | 324K |
| 8:30AM | Jul Wholesale inventories mm (%) | -0.1% | | -0.5% |
| 8:30AM | Q2 GDP Advance (%) | 2.1% | 2.4% | 2% |
| 10:00AM | Jul Pending Home Sales (%) | 0.9% | -0.6% | 0.3% |
| Thursday, Aug 31 | | | | |
| 7:30AM | Aug Challenger layoffs (k) | 75.151K | | 23.697K |
| 8:30AM | Aug/26 Jobless Claims (k) | 228K | 235K | 230K |
| 8:30AM | Jul Core PCE (m/m) (%) | 0.2% | 0.2% | 0.2% |
| 8:30AM | Jul Core PCE Inflation (y/y) (%) | 4.2% | 4.2% | 4.1% |
| 9:45AM | Aug Chicago PMI | 48.7 | 44.1 | 42.8 |
| Friday, Sep 01 | | | | |
| 8:30AM | Aug Average earnings mm (%) | 0.2% | 0.3% | 0.4% |
| 8:30AM | Aug Non Farm Payrolls | 187K | 170K | 187K |
| 8:30AM | Aug Unemployment rate mm (%) | 3.8% | 3.5% | 3.5% |
| 10:00AM | Aug ISM Manufacturing PMI | 47.6 | 47 | 46.4 |

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.

Mid Valley Financial 