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Mortgage Banker, Since 1985
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Fed Rate Expectations Have Fully Erased The Tariff Impact (For Now)

The market is constantly making bets on where the Fed Funds Rate will end up for any given moment many months into the future. As such, that rate expectation is constantly changing. It will continue to change, and it will change in different ways for different time frames.

For example the futures contracts that pertain to June's Fed meeting will indicate a different rate than the contracts for the December meeting. In other words, if traders think the Fed will end up cutting rates, it will be in steps--not all at once.

When Trump's tariff plan was first announced, the market rushed to price in a faster pace of rate cuts, even in the relatively near-term meetings like May and June. After the 90 day pause, rate expectations reversed course, but more so for those near term Fed meetings. Traders still foresaw lower rates when they looked farther into the future.



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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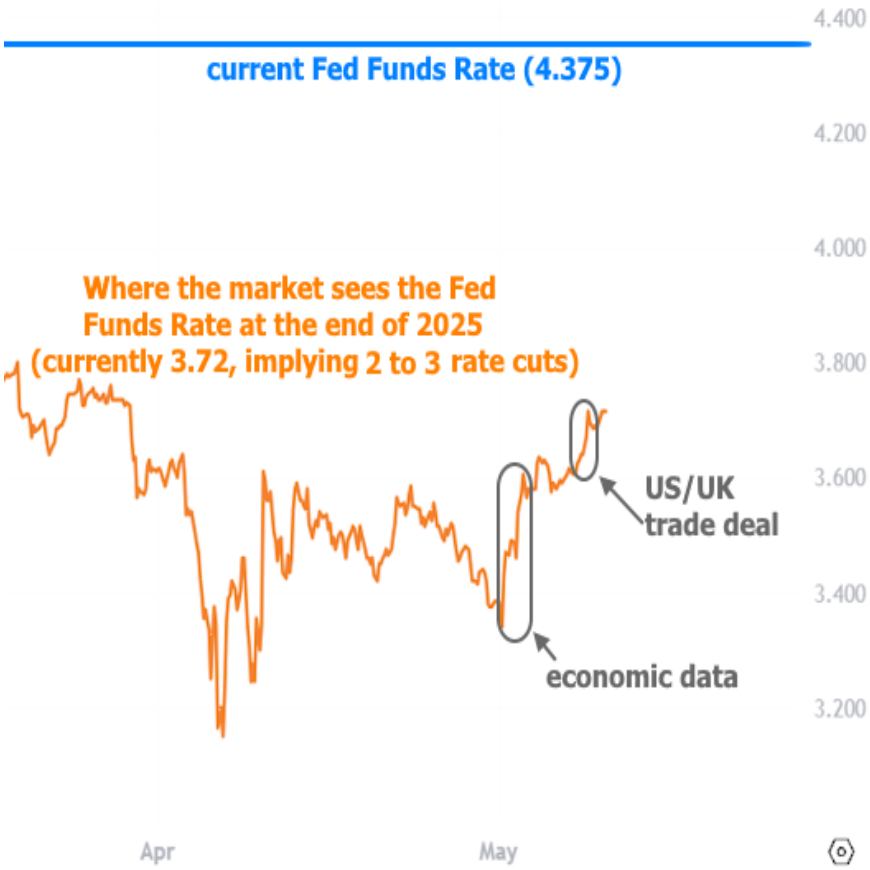
While there was a Fed meeting this week, it had no impact on these expectations. The Fed was widely expected to say exactly what it said. In a nutshell, evolving trade policies could end up being good or bad for the rate outlook. If there's lots of inflation and economic growth, that would be bad for rates. If there's a lot of economic contraction and less inflation, that would be good for rates. The reality ultimately depends on the details of trade deals and global financial market response.

While the Fed couldn't add much to the dialogue this week, end of year rate expectations did finally break above the pre-tariff levels. Most of this move happened at the end of last week owing to stronger economic data. This week's contribution came from the announcement of a US/UK trade deal. The timing is highlighted in the following chart, which singles out only the December Fed Funds Rate expectations. The chart also reminds us that even though expectations moved up, the expected rates are still far below current levels (indicating 2 to 3 cuts of 0.25%).



As always, the Fed Funds Rate is merely on the same family tree as mortgage rates, but the two are quite different at times. Whereas Fed rate expectations are definitely higher now compared to early April, mortgage rates remain a bit lower.

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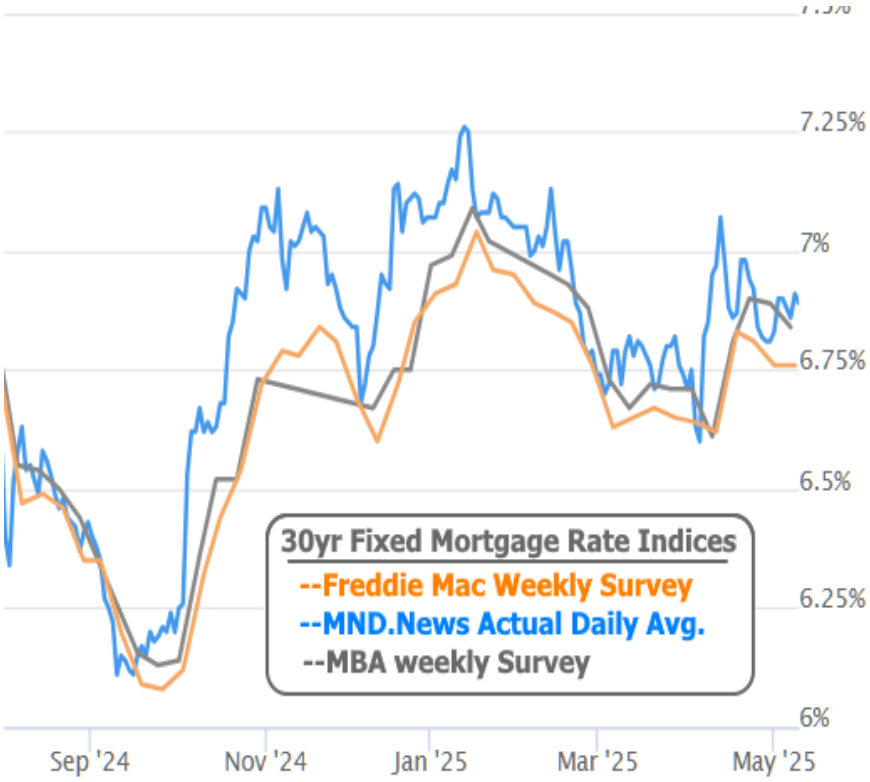
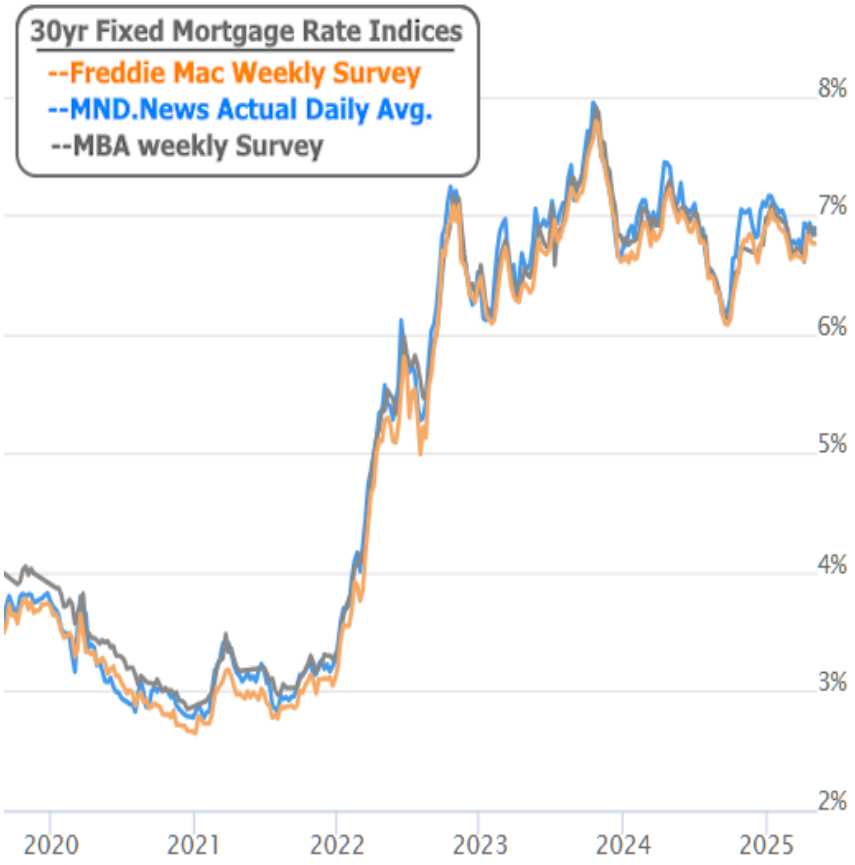


The more one zooms out on a chart of rates, the more the past 2-3 years look like one big, flat waiting game.



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Even before tariff changes, we were in the same sideways spot, waiting for a meaningful departure from the uncertainty. Resolution will come from the same places either way: rates will consider the economy, inflation, and the amount of money the government needs to borrow. There are other minor considerations, but these are the big 3, and the finalization of trade deals can have a direct impact on all of them.

The coming week brings the first official, big picture inflation reading for the month of April in the form of the Consumer Price Index (CPI). While it's far too early to fully assess the tariff impact on measured inflation, it's not too early to see some changes. As always, the more that inflation surprises to the upside, the higher the implication for rates, all else equal. The "no surprise" reading for CPI would be a shift from 0.1 to 0.3 in terms of month-over-month core inflation.

Apart from the economic data, there will certainly be updates to digest from the over-the-weekend trade negotiations between the US and China. It's tremendously unlikely that these talks would conclude as quickly as those with the UK, but still very likely that they produce some actionable headlines. In other words, this is another source of potential volatility in rates in addition to economic data like CPI.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Monday, May 05				
10:00AM	Apr ISM N-Mfg PMI	51.6	50.6	50.8
10:00AM	Apr ISM Services Employment	49		46.2
10:00AM	Apr ISM Services Prices	65.1		60.9
Tuesday, May 06				
8:30AM	Mar Trade Gap (bl)	$-140.5B	$-137B	$-122.7B
10:10AM	May IBD economic optimism	47.9	50.2	49.1
Wednesday, May 07				
7:00AM	May/02 MBA Purchase Index	162.8		146.6
7:00AM	May/02 MBA Refi Index	721		649.0
2:00PM	Fed Interest Rate Decision	4.5%	4.5%	4.5%
2:30PM	Fed Press Conference			
Thursday, May 08				
8:30AM	May/03 Jobless Claims (k)	228K	230K	241K
Tuesday, May 13				
8:30AM	Apr m/m CORE CPI (%)	0.2%	0.3%	0.1%
8:30AM	Apr y/y CORE CPI (%)	2.8%	2.8%	2.8%
Thursday, May 15				
8:30AM	Apr Core Producer Prices MM (%)	-0.4%	0.3%	-0.1%
8:30AM	Apr Core Producer Prices YY (%)	3.1%	3.1%	3.3%
8:30AM	May NY Fed Manufacturing	-9.20	-10	-8.10
8:30AM	May/10 Jobless Claims (k)	229K	229K	228K
8:30AM	Apr Retail Sales Control Group MoM	-0.2%	0.3%	0.4%
8:40AM	Fed Chair Powell Speech			

Event Importance:

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

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Date	Event	Actual	Forecast	Prior
9:15AM	Apr Industrial Production (%)	0%	0.2%	-0.3%
10:00AM	May NAHB housing market indx	34	40	40
Friday, May 16				
8:30AM	Apr Import prices mm (%)	0.1%	-0.4%	-0.1%
8:30AM	Apr Export prices mm (%)	0.1%	-0.5%	0%
8:30AM	Apr Housing starts number mm (ml)	1.361M	1.37M	1.324M
8:30AM	Apr Building Permits (ml)	1.412M	1.450M	1.467M
10:00AM	May Consumer Sentiment (ip)	50.8	53.4	52.2

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.

Mid Valley Financial

EQUAL HOUSING LENDER

EQUAL HOUSING OPPORTUNITY

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