Mid Valley Financial
Mortgage Banker, Since 1985
Broker CA DRE#01206057 | NMLS ID#219418
7644 N. Palm Avenue Fresno, CA 93711

Office: (559) 432-8221
Mobile: (559) 432-8221
info@mvloans.com
View My Website

Inflation Ends Mortgage Rates' Winning Streak

Last week, we noted that rates had managed to withstand surprisingly strong jobs data, but that inflation could be a tougher test. We also cautioned that further improvement depended heavily on continued trouble in the tech sector. This week brought hotter inflation and a stock market that wasn't nearly troubled enough to offset it.

Mortgage rates moved sharply higher, giving back most of the improvement seen since early October. The average top-tier 30yr fixed rate rose nearly a third of a percentage point in just three trading days. Tuesday and Thursday did most of the damage, with Friday adding to the increase.

Inflation didn't need to be shocking to cause problems

Tuesday's Consumer Price Index (CPI) was the week's biggest turning point. Core inflation, which excludes food and energy, rose 0.3% in October. That wasn't an extraordinary number on its own, but it was higher than expected and added to concerns that inflation was heading in the wrong direction.

The details didn't offer much reassurance. Price pressures were broad enough that higher fuel costs couldn't explain them away. Nor could everything be chalked up to spending associated with the AI boom. Even categories that improved generally did so from elevated readings in the previous month.

Adding to the problem is the fact that the Fed has made it clear that inflation is its main concern. Before the report even came out, Fed Governor Christopher Waller said a 0.3% core reading could warrant considering a half-point rate hike in December. The data then delivered that reading, and investors quickly raised their expectations for future Fed rates.

Mortgage rates don't have to wait for the Fed to act. The bonds that determine mortgage rates trade throughout the day, allowing investors to respond immediately when the outlook changes. By the time an expected Fed hike actually happens, markets have generally already accounted for it. This week's damage came from the change in expectations about how much hiking might be ahead.

Tech couldn't come to the rescue this time

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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Recent newsletters have covered how concerns about the AI boom helped bring rates lower. Investors sought safer investments, including bonds, while questioning whether tech spending and borrowing could continue at the same pace. That combination helped push bond yields and mortgage rates down, even when the prevailing economic reports would normally have pushed them higher.

But that support depended on those concerns continuing to intensify. As we noted last week, each additional round of tech selling was already producing a smaller benefit for rates.

This week, tech stocks proved more resilient. Without a fresh wave of concern to support bonds, inflation and the prospect of additional Fed hikes carried more weight. Thursday's sharp increase in bond yields reflected another move higher in Fed rate expectations, reinforced by comments from several Fed officials.

Friday offered little new information to change that picture, but Mortgage rates were still catching up with bond market losses from late Thursday. As a result, Friday saw the highest rates of the week.

What would help rates recover?

The same possibilities remain in play. Renewed trouble in tech could bring investors back toward bonds, while cooler inflation would give the Fed less reason to keep raising rates. Economic reports showing slower growth could help as well.

But if tech holds its ground and inflation remains stubborn, rates will have a harder time recovering. While this week doesn't mean every bit of the recent improvement has to disappear. It does show how quickly that improvement can unravel when the economic data pushes one way and the market's biggest source of support stops pushing back.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Tuesday, Nov 10				
8:30AM	Oct m/m Headline CPI (%)	0.4%	0.3%	0.6%
8:30AM	Oct m/m CORE CPI (%)	0.3%	0.2%	0.3%
Wednesday, Nov 11				
7:00AM	Nov/06 MBA Refi Index	540.7		517.5
7:00AM	Nov/06 MBA Purchase Index	141.2		131.4
Thursday, Nov 12				
8:30AM	Nov/07 Jobless Claims (k)	200K	195K	189K
10:00AM	Oct Existing home sales (ml)	3.75M	3.85M	3.99M
Friday, Nov 13				
8:30AM	Oct PPI y/y	6.5%	6.6%	6.3%
8:30AM	Oct PPI m/m (%)	0.3%	0.4%	1.3%
8:30AM	Oct Core PPI m/m (%)	0.3%	0.3%	0.7%
Monday, Nov 16				
8:30AM	Nov NY Fed Manufacturing	7.80	18	25.50
Tuesday, Nov 17				

Event Importance:

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

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Date	Event	Actual	Forecast	Prior
8:30AM	Oct Import prices mm (%)	1.1%	0.7%	1.1%
8:30AM	Oct Retail Sales (%)	0.2%	0.2%	0.8%
9:15AM	Oct Industrial Production (%)	-0.4%	0.1%	0.7%
10:00AM	Nov NAHB housing market indx	25	29	29
Wednesday, Nov 18				
8:30AM	Oct Housing starts number mm (ml)	1.309M	1.25M	1.221M
10:00AM	Oct Pending Home Sales (%)	-4.7%	-2%	-7.3%
2:00PM	FOMC Minutes			
Thursday, Nov 19				
8:30AM	Nov/14 Jobless Claims (k)	203K	197K	200K
8:30AM	Nov Philly Fed Business Index	6.3	20	20.9

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 MVF

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