MORTGAGE MARKET IN REVIEW

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Market Comment

Mortgage bond prices finished the week higher which put a little downward pressure on rates. The up and down trading pattern continued. We started the week with rate improvements amid weak data. FHFA housing rose 0.3% as expected. Confidence was 106.1 vs 116. Q2 Gross Domestic Product rose 2.1% vs 2.4%. ADP payrolls rose 177K vs 195K. The positive trend reversed Thursday and Friday amid mixed employment data. Weekly Jobless claims were 228K vs 235K. Income rose 0.2% vs 0.3%. Spending was up 0.8% vs 0.7% and core PCE rose 0.2% as expected. Unemployment came in at 3.8% vs 3.6%. Non-farm Payrolls were 187K vs 170K. Mortgage interest rates finished the week better by approximately 1/4 of a discount point.

LOOKING AHEAD

Economic Indicator	Release Date & Time	Consensus Estimate	Analysis
Factory Orders	Tuesday, Sept. 5, 10:00 am, et	Down 0.1%	Important. A measure of manufacturing sector strength. Weakness may lead to lower rates.
Trade Data	Wednesday, Sept. 6, 8:30 am, et	$46.8B deficit	Important. Affects the value of the dollar. A falling deficit may strengthen the dollar and lead to lower rates.
Fed “Beige Book”	Wednesday, Sept. 6, 2:00 pm, et	None	Important. This Fed report details current economic conditions across the US. Signs of weakness may lead to lower rates.
Weekly Jobless Claims	Thursday, Sept. 7, 8:30 am, et	228K	Important. An indication of employment. Higher claims may result in lower rates.

Revised Q2 Productivity	Thursday, Sept. 7, 8:30 am, et	Up 3.8%	Important. A measure of output per hour. Improvement may lead to lower mortgage rates.
Consumer Credit	Friday, Sept. 8, 3:00 pm, et	$18.5B	Low importance. A significantly large increase may lead to lower mortgage interest rates.

Employment Results

The U.S. Bureau of Labor Statistics (BLS) employment release last Friday resulted in mortgage interest rate volatility amid a mixed picture of the employment situation. The headline figure was higher than expected at 3.8% while the payrolls component was stronger than expected at 187,000.

The reason the two releases conflicted with one another is because the data comes from two different surveys. The BLS notes, “The household survey measures labor force status, including unemployment, by demographic characteristics. The establishment survey measures nonfarm employment, hours, and earnings by industry.”

The Federal Reserve is clear that they are data-dependent regarding future rate policy. Their key focus remains inflation at this point. They specifically stated that inflation remains higher than their 2% goal and that they will do everything possible to bring it lower. They are not likely to pivot until the overwhelming evidence shows they have brought inflation under control. A Fed pivot is when the Federal Reserve reverses its existing monetary policy stance.

The good news is many economic releases are starting to signal the rate hikes are working. Unfortunately, there remain mixed signals like we saw with last week’s employment report and with uncertainty comes mortgage interest rate volatility.

A cautious approach to float/lock decisions is wise in the weeks ahead. Signs of economic weakness will likely bring lower rates while signs of strength will likely result in the inverse.