

Mortgage Rates Braced For Impact From Upcoming Events

The week began in fairly uneventful fashion for mortgage rates, at least in the bigger picture. In the smaller picture, there was a modicum of drama as the average lender was compelled to raise costs slightly in the middle of the day due to deteriorating market conditions. But those changes pale in comparison to the volatility that may be seen in the coming days as the market digests the long-awaited Consumer Price Index (CPI) tomorrow morning.

Then a day later, we'll get the next rate hike from the Fed--likely a bit smaller than the previous hike--as well as the quarterly update on the Fed's rate hike outlook. The Fed festivities will end with a press conference with Fed Chair Powell, which will give him a chance to clarify any overly-presumptuous reaction to the forecasts or the announcement itself.

The last time Powell spoke qualitatively about the Fed's policy outlook, the market cheered what they saw as a softening in the Fed's stance. Indeed, many Fed speakers agree it's time to soften, but not time to become soft. Instead, they want to continue hiking rates, just at a slightly slower pace. From there, they've been unified in calling for rates to remain at the ceiling levels as long as possible. It would take a big, sustained drop in inflation for that to change.

Both the market and the Fed will take a big cue from tomorrow morning's CPI data when it comes to assessing the prospects for a drop in inflation. This one report isn't enough to singlehandedly change the narrative, but it can provide a big push in one direction or the other. Bottom line, the last CPI report was responsible for the biggest single-day drop in mortgage rates on record. Tomorrow's CPI offers a chance to validate or push back against those conclusions. That doesn't mean it'll be another record setting day, but there's every chance for it to see some very big movement.



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