

MORTGAGE RATE WATCH

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Mortgage Rates Holding Near 5 Month Lows

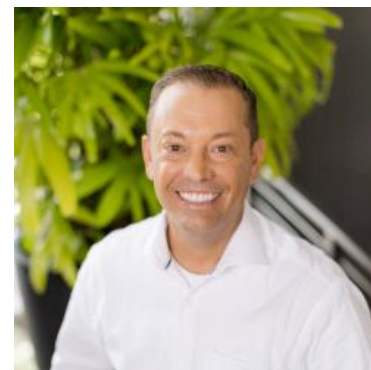
Despite an active calendar of events that had the potential to cause volatility, average mortgage rates managed to remain unchanged in the morning and to move slightly lower in the afternoon. Last Thursday's inflation data helped 30yr fixed rates drop to 5 month lows and there hasn't been much movement since then.

Technically, today's rates aren't quite back to Monday's levels, but the average borrower would be seeing the same note rate in either case. The only potential difference would be in terms of upfront costs and even that would be minor.

While the economic data so far this week has failed to inspire major rate movement, the forthcoming data still presents some amount uncertainty. Thursday brings weekly Jobless Claims data. This typically doesn't have a big influence, but there's heightened focus on labor market reports right now because signs of labor market weakness would further tip the scales in favor of a Fed rate cut.

The Fed is currently expected to cut rates for the first time this cycle in September. There's a very high bar for them to consider a July rate cut--almost certainly too high for any of the scheduled economic data to make a difference between now and then.

Nonetheless, the Fed Funds Rate doesn't directly dictate day to day changes in other rates. If the data increases the case for September's cut or if it strengthens the case for additional cuts after that, we could still see a favorable response in the short term. Conversely, if the data improves, rates could undergo a modest correction as they wait for the next big jobs report in early August.



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