

Rates End Week Higher After Massive Volatility

This week alone, mortgage rates hit their lowest levels in well over a year and moved higher at their 3rd fastest pace in nearly 2 years.

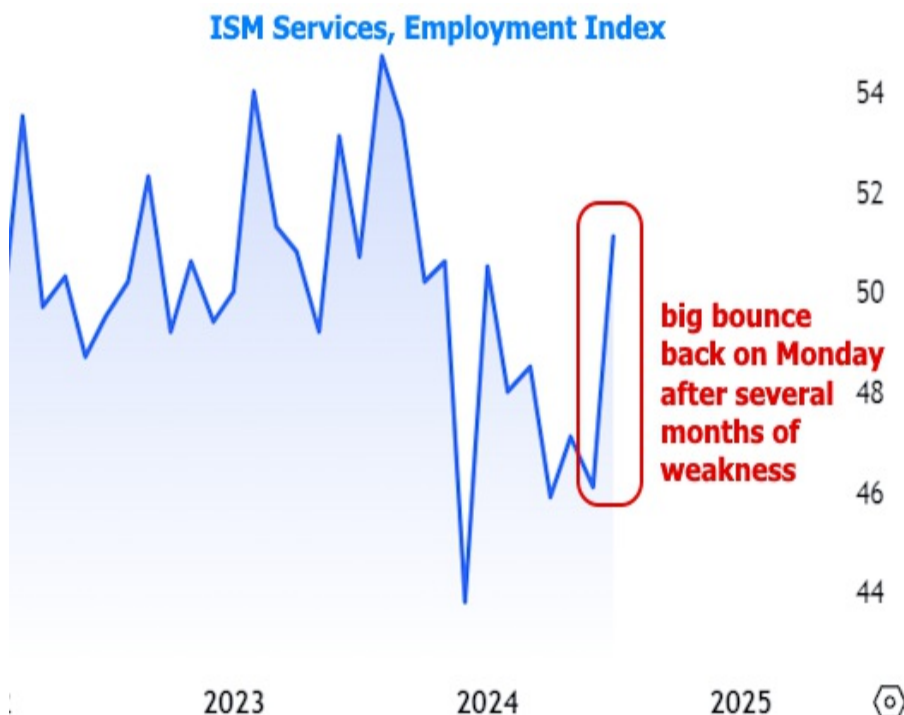
Monday morning began with global financial markets in the throes of some serious volatility. Some investors cited a ramp in recession fears after last week's downbeat jobs report, but it quickly became clear that there was more to the story.

The x-factor was an esoteric trading strategy known as the carry trade, which involves borrowing money in a currency with low interest rates and investing that money in a country with higher returns. Japanese currency (Yen, or USD/JPY when referring to the exchange rate between the Dollar and Yen) is the poster child for this trade. It had driven excess investment in US equities markets of late, but last week's events caused sharp shifts in USD/JPY and consequently, a fire sale of assets purchased via the carry trade.

This was great news for US interest rates at first. The global financial turmoil sent excess buying demand into the US bond market where higher demand means lower rates, all other things being equal. In fact, Monday morning saw an amazing move to the year's lowest rates--an impressive feat considering rates had already dropped at an exceptionally quick pace the previous Friday.

After that "unwinding" process ran its course, rates did nothing but skyrocket through Thursday afternoon. The bounce was abrupt by typical standards with the average 30yr fixed rate rising nearly 0.3% in just 3 days--the 3rd biggest 3-day jump of the year.

Economic data helped fuel the reversal, with ISM's Services Index and US Jobless Claims helping push back on the recessionary vibes in last week's data.



Heather Woods

Branch Manager- Broker-Loan Originator, The Woods Mortgage Team- Powered By My Community Mortgage

www.WoodsMortgageTeam.com

M: (210) 392-8299

heatherwoods@mychomeloans.com

Humble TX 77346
833399



Jennifer Yoinco

Realtor, Walzel Properties

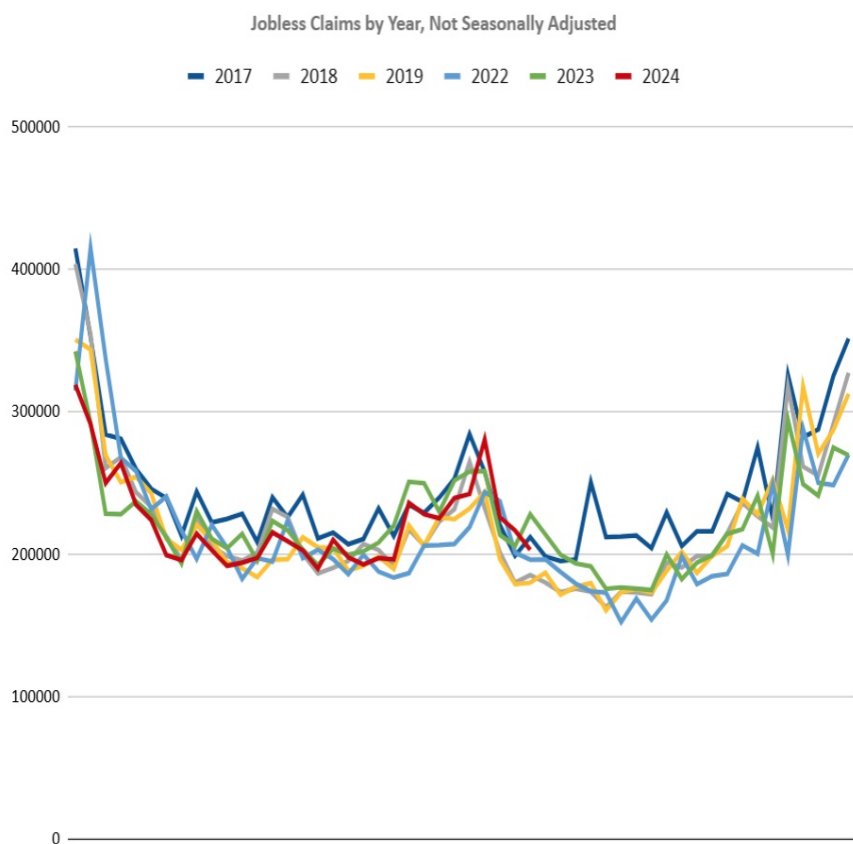
www.houstonsuburb.com

M: (832) 286-8636

Jenyoingco7@gmail.com

15420 Ridge Park Dr
Houston TX 77095
648293





Rates finally moved back down a bit on Friday, but only enough to erase a small amount of the damage. Compared to last Friday, we ended the week higher. Be aware that many media outlets cited Freddie Mac's weekly survey in claiming that rates were lower this week, but Freddie takes an average of Thursday through Wednesday before reporting the results on Thursday. That means it counted the huge drop last Friday that we already reported last week.

30yr Fixed Mortgage Rate Indices

--Freddie Mac Weekly Survey

--MND.News actual daily avg.



last Friday →

In the week ahead, the market's focus will undoubtedly shift to the Consumer Price Index (CPI)--one of the two biggest economic reports on any given month. CPI is critical in confirming the Fed rate cut outlook in the months ahead. The rest of the bond market will adjust immediately based on the likely implications for the Fed.

If CPI is higher than expected, that alone would not be enough to convince the market that the Fed will forego the much-anticipated September rate cut. But there will be one more CPI before the Fed's next meeting, as well as the next installment of the jobs report that rocked the rate world last Friday. If all 3 of these reports are rate-friendly, it wouldn't be a surprise to see new long-term lows ahead of September's Fed announcement. Conversely, if all 3 are higher than expected, rates could find themselves right back in the early-July range.