

MORTGAGE RATE WATCH

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Rates Are Settling Down After 2 Wild Weeks

Mortgage rates had a much calmer week this week compared to the previous 2. The average top tier 30yr fixed rate held a fairly narrow range between 6.49 and 6.58, with Friday's latest move being a decent drop back to 6.56%.

Contrast that 0.09% range to the previous two weeks, which saw ranges of 0.29% and 0.41%!

The volatility is a byproduct of the market honing in on the likely path of economic data heading into the September rate announcement. The market is 100% convinced the Fed will cut by at least 0.25%. Earlier in the month, a majority of traders thought it would a 0.50% cut and some were even calling for an immediate emergency cut of 0.75%.

That drama was based on the lackluster jobs report at the beginning of the month. Since then, the weekly jobless claims updates (separate data) have painted a less dire picture for the labor market--an important development considering the Fed is increasingly comfortable with inflation progress and instead focusing more attention on jobs.

In the coming week, investors don't have nearly as much data to digest as the past 3 weeks, but there's an important speaking opportunity for Fed Chair Powell on Friday morning at the Jackson Hole Symposium. One day earlier, there will be another chance for weekly Jobless Claims numbers to either stick to the same old script or to suggest that things may indeed be shifting (something that looked like it might have been happening 4 weeks ago as seen in the red line in the following chart).



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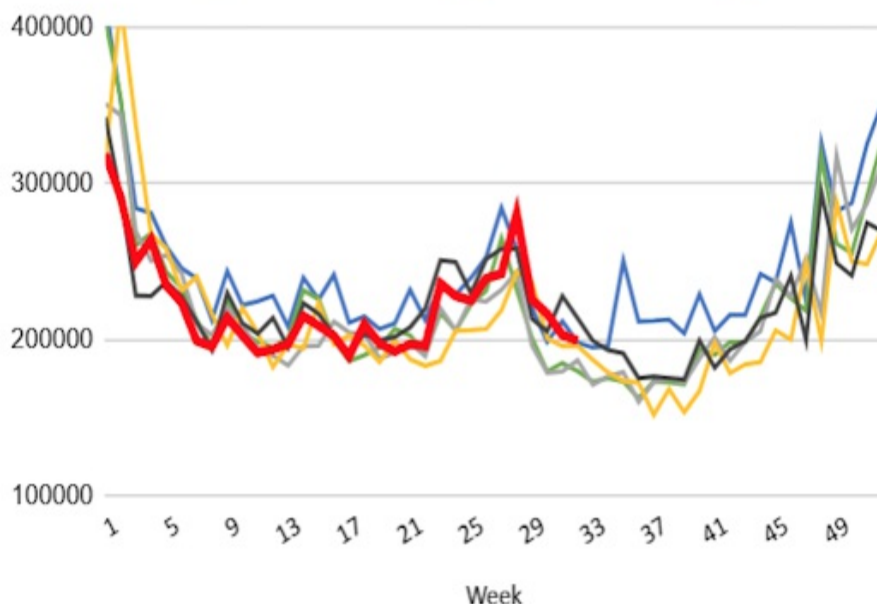
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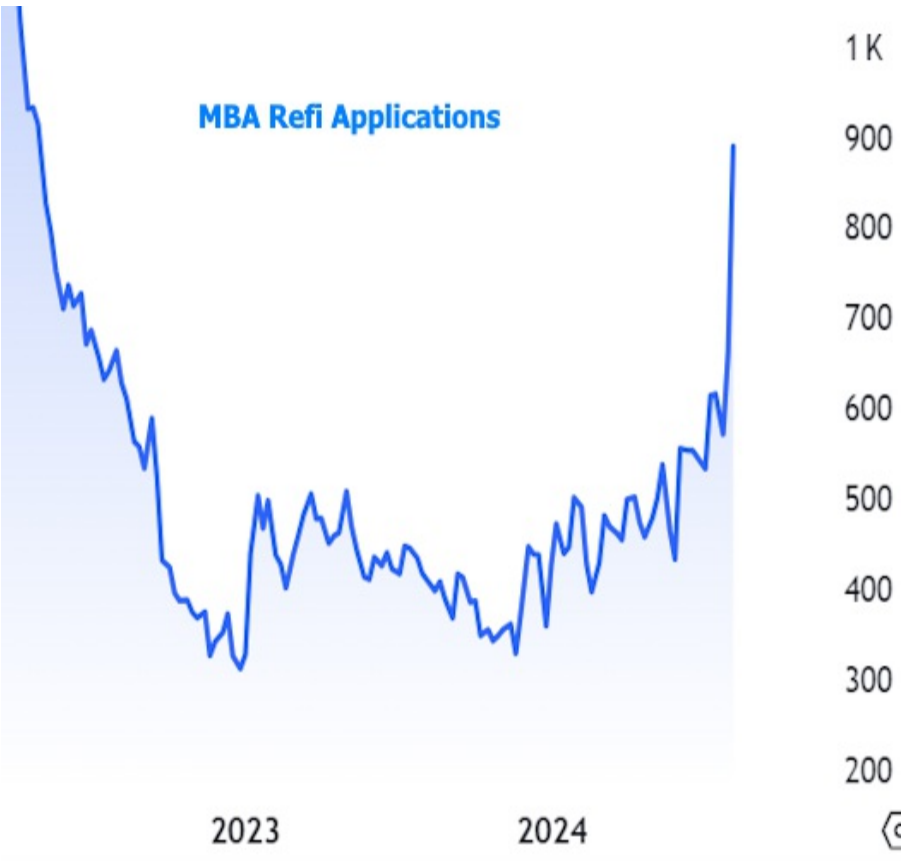


Jobless Claims, Week by Week, Not Seasonally Adjusted

2017 2018 2019 2022 2023 2024



Any move lower in rates is meaningful at current levels. This week's refi application index shows just how responsive the market was to last week's rate drop.



The caveat is context. These still aren't big numbers in the bigger picture.



The caveat to the caveat is that the super low rates were only available for a few hours. If the economy begins to lose steam, it wouldn't be a surprise to see rates move into the 5% range and to stay there for long enough for more borrowers to take advantage.