

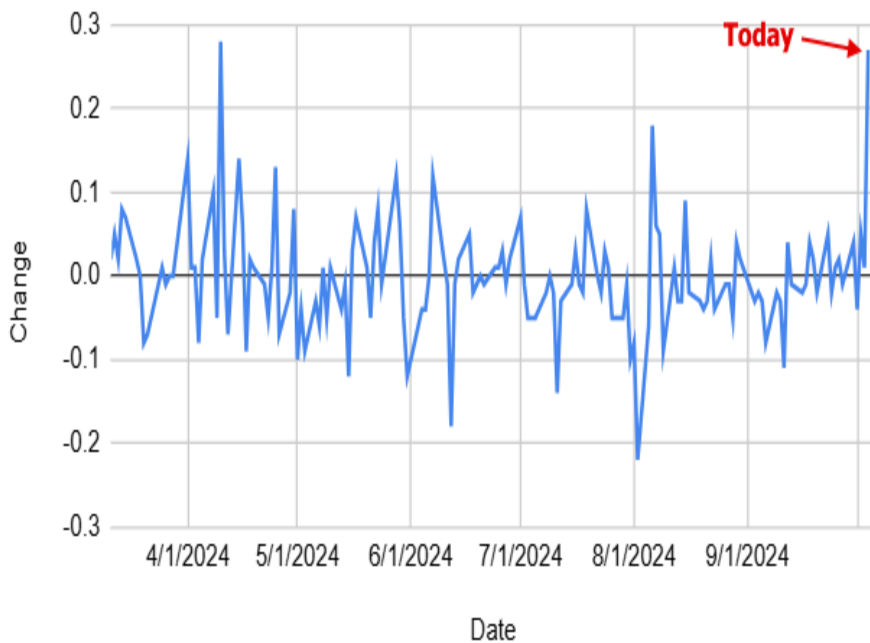


Huge Rate Bounce After Stunningly Strong Jobs Report

There was a lot riding on Friday's big jobs report with a weak result likely to reinvigorate a move to long-term lows and a strong result likely to push rates higher. It ended up being VERY strong, thus pushing rates higher VERY quickly.

The following chart shows the day over day change in the 30yr fixed rate index from Mortgage News Daily:

day over day change in mortgage rates



The worst day in April was just a bit more abrupt, but it's fairly uncommon to see a jump of more than 0.2%. In outright terms, things look a bit better considering the ground covered since April.

Wayne Tucker

Spectra Mortgage Corporation

www.spectramortgage.com

P: (303) 468-1985

M: (303) 884-4446

wtucker@spectramortgage.com

3900 SWadsworth
Lakewood CO 80235

NMLS#:298382, Colorado #:
MLO10009851

Spectra Mortgage Corporation
NMLS License: 387483



30yr Fixed Mortgage Rate Indices
 --Freddie Mac Weekly Survey
 --MND.News Actual Daily Avg.



The most important headline in the jobs report is nonfarm payrolls (NFP), which is a count of new jobs created in the most recent month (September, in this case). Not only did September's 254k payrolls crush forecasts calling for 140k, but the past 2 months were revised higher as well. This is important because recent payroll data factored into the Fed's decision to cut rates by 0.50% two weeks ago. Whereas the trend looked to be trailing off at weaker and weaker levels, it now looks a bit more resilient (mainly because the low point from 2 months ago is now higher than the low point from earlier in the year).



If the Fed had seen that "higher low" in NFP and if they'd known about today's 254k payroll count two weeks ago, would they have been as willing to cut rates by 0.50%? The market doesn't think so, and it quickly moved to adjust its expectations for where the Fed Funds Rate will end up this year.

