HOUSING NEWSLETTER
The Week's Most Important Housing News

# Highest Mortgage Rates in 7 Months After Upbeat Jobs Report

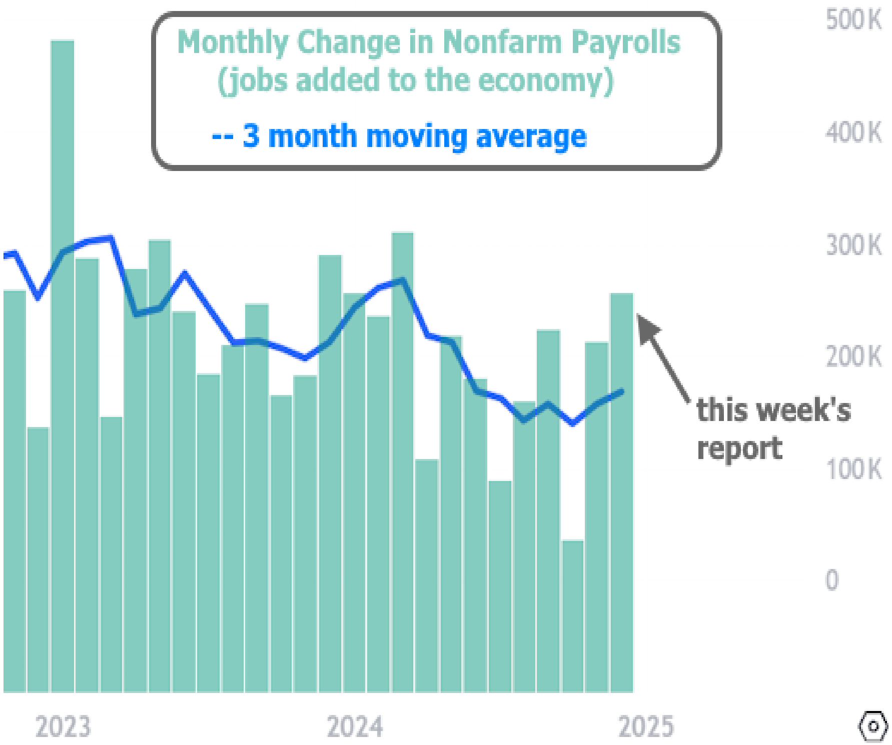
Mortgage rates weren't having a great week in the first place. As of Wednesday, the average lender was already up to the highest levels since June 2024. But up until that point, there hadn't been too much volatility.

The rising rate trend kicked into higher gear after Friday morning's jobs report.

Officially known as The Employment Situation, the jobs report is the most comprehensive monthly update on the state of the labor market in the U.S. It's also the economic report that has the greatest potential to cause volatility for interest rates. That potential was on full display today.

In general, higher levels of employment coincide with higher interest rates, but the traders that determine rates are less focused on the unemployment rate and more focused on the jobs report's headline component: nonfarm payrolls (NFP).

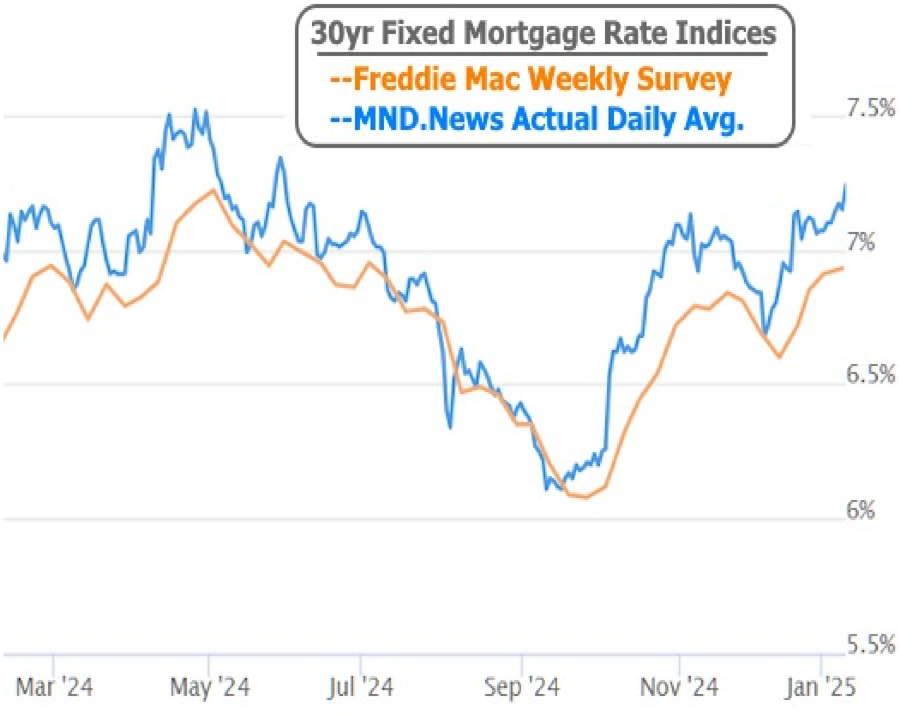
NFP is quite simply a count of the number of jobs added to or removed from the economy on any given month. Out of hundreds of economists submitting forecasts, the median for today had been 160k jobs. The actual number was 256k.




This may seem like an impossibly wide gap, but on the occasions that NFP comes in higher than expected in early January, it's by an average amount of 86k. Translation: the gap was wider than normal, but only just.

Bonds and, consequently, rates reacted in an exceedingly logical fashion. The average top tier 30yr fixed rate moved rapidly to the highest levels since May 2024. Weekly rate surveys are rarely in line with actual daily averages for a variety of reasons, but they will lag reality even more than normal at the moment because none of them yet include the reaction to the jobs data.

KV Mortgage




Next week brings another important economic report in the form of the Consumer Price Index (CPI), which has nearly as much potential to cause volatility as the jobs report. The jury is very much out on inflation. On the one hand, anecdotal evidence from other data shows some cause for concern, as seen in this week's "prices paid" component of the ISM Services Index.


Energy prices have also moved higher heading into the new year and may already be contributing to inflation fears in the rate market.


On the other hand, the housing component of the Consumer Price Index (officially categorized as "shelter") has resumed its steady trend lower over the last 3 months.  That's important because it's the single largest component of core inflation and it has been doing more than any other component to keep overall inflation from moving back toward the 2 percent target.