

## Mortgage Rates Closing in on 4 Month Lows

Rates have been almost perfectly consistent in moving lower since February 13th and broadly consistent since January 15th. There's one big reason for that and it's simpler than you might think.

We'll set the stage with a quick look at Treasuries, which serve as a benchmark for other interest rates like mortgages. The chart uses "candlesticks" because they show an entire day's worth of movement in a single symbol. The bigger the green candle, the better the day was for rates.



The chart makes it easy to see that January 15th and February 13th kicked off 2 of the biggest winning streaks for rates. Both dates mark surprisingly low inflation readings. Simply put, rates care a lot about inflation and when inflation is lower than expected, rates drop.

Some market watchers may note that February 12th also had important inflation data that came in higher than expected, thus accounting for the big red candlestick on that day. That was indeed a concern at the time, but the following day's data suggested that the February 12th data was a bit of a false alarm [as discussed in our newsletter at the time](#).

Why go into all this confusing detail? Because as of Friday this week, we finally have the final word on inflation for the month of January in the form of the PCE Price Index.

PCE is a broader set of data compared to the CPI and PPI inflation reports that come out 2 weeks earlier. It was CPI that caused concern on Feb 12th and PPI that said "not so fast." Reason being, both of those reports have components that can help predict PCE inflation with reasonable accuracy. When PPI came out on the 13th, the market began positioning for lower PCE inflation than it had previously expected. Now that PCE is out, it seems the markets did a relatively perfect job of anticipating the results.



**Brendon Garcia**

Broker/Owner,  
Collaborative Capital

<https://brendongarcia.com/>

P: (805) 253-2053

[brendon@brendongarcia.com](mailto:brendon@brendongarcia.com)

Westlake Village, California

NMLS# 278724

NMLS# 2385760



In terms of mortgage rates, this brings the average lender to the best levels since early December, and very close to the best levels since October.



Inflation may be the biggest consideration for rates at the moment, but it's not the only consideration. Over the past week, there's been a much greater tendency for rates to move in concert with stock prices. NOTE: this is NOT a reliable correlation over time. Rates can often move the opposite direction from stocks if the market is reacting to Fed policy (i.e. the promise of faster Fed rate cuts could help stocks move higher while rates move lower, for instance). But when something like the economic outlook is driving trade, concerns over economic weakness can push stocks and rates lower.



To reiterate how imperfect this correlation can be, simply consider a longer time frame of the exact same data:



This week's other economic data was of little-to-no consequence to rates, but may still be interesting to those with a stake in the mortgage/housing markets. Full stories are linked in the "Around the Web" section of the newsletter, but here's a quick chart-focused preview of that news:

Mortgage refinance applications moved slightly LOWER according to the MBA until you consider that most of the recent improvement in rates happened after those survey responses were collected.



### 30yr Fixed Mortgage Rate Index (MND)



The Census Bureau reported New Home Sales for January, and while the total fell by a seemingly significant 10.5%, the margin of error is high, and the pace of sales remains calmly in line with most of the past 8-9 years (apart from the post-covid spike).

### New Home Sales



Home price appreciation remains very boring and very much in line with prevailing pre-pandemic levels, whether viewed in annual or monthly terms.



The week ahead brings a the most highly consequential slate of economic data on any given month culminating in the big jobs report on Friday. If the jobs report falls far enough from forecasts, it can have just as big of an impact as the various inflation reports discussed above. Several other reports throughout the week are strong supporting actors. If the data is unified in its message about economic growth or contraction, rates would almost certainly be moving in the implied direction (weaker economy = lower rates, stronger economy = higher rates).