HOUSING NEWSLETTER

The Week's Most Important Housing News

Jobs Report Chases Rates Back Into The Range

For nearly 2 months, rates have been in limbo, stuck between the lower, more stable levels seen in March and the higher range seen at the beginning of the year. With many market participants waiting for more clarity on trade policies, it has been up to major economic data to make a case for any major moves in rates.

The first week of any given month always has an action-packed economic calendar with the following reports being the typical headliners:

- ISM Manufacturing Index
- ISM Services Index
- Job Openings
- ADP Employment
- Employment Situation (the big jobs report)

The jobs report is always the biggest potential source of volatility, but because it always comes out on a Friday, the other reports have a chance to get the ball rolling preemptively. When that happens, we sometimes see the jobs report **add to** the prevailing momentum. Other times, the jobs report pushes back in the opposite direction. This week was one of those other times.

More than any other day this week, it was Wednesday that prompted rates to take a lead-off toward lower levels. ADP Employment came out much lower than expected early in the day. Less than 2 hours later, ISM's services index reinforced the weaker economic message, ultimately prompting a sharp drop in bond yields.



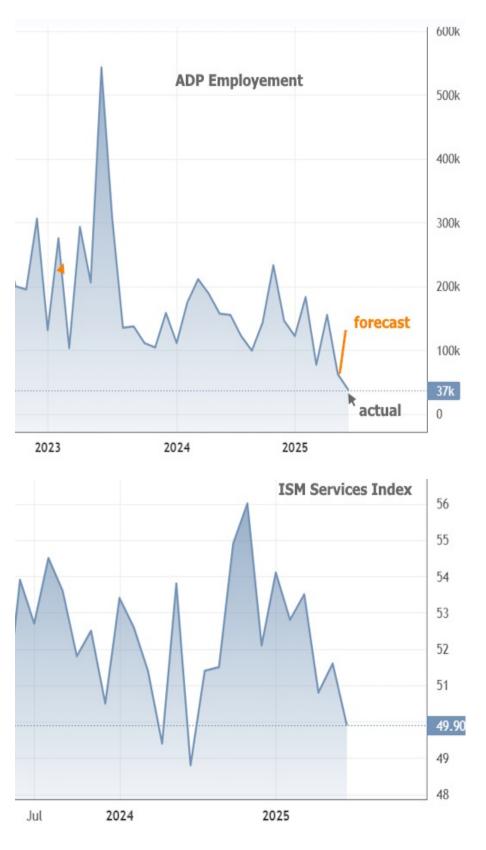
Yesenia Ruvalcaba-Garcia

Mortgage Broker, Elite Fundings

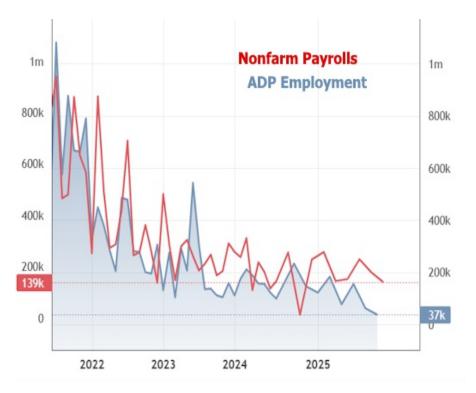
www.NewcenturyBroker.com M: (626) 252-0839 newcenturybroker@gmail.com

550 E Badillo St Covina CA 91723 NMLS: 255242 DRE:01293970



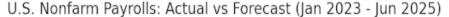


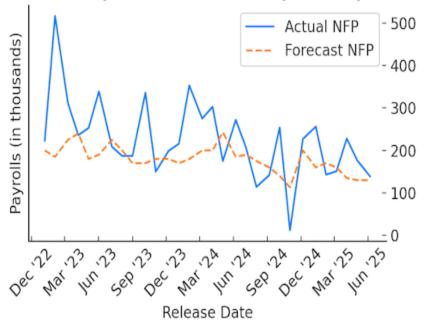
That was the lowest reading for ADP since January 2021. Even though the month-to-month correlation between ADP and the payroll count in the jobs report is hit-or-miss, a large drop in ADP still gets the market's attention. After all, the two are still broadly correlated in the bigger picture:



The ISM data wasn't quite as much of a surprise by comparison, but it offered no objection to an economically gloomy conclusion. With that, bonds began moving as if Friday's jobs report would sing a similar tune. But if you noticed the "139k" on the chart above, you already know the chorus.

As has been the norm for most of the past few years, NFP (nonfarm payrolls, the headline job count of the big jobs report) came in above forecast. It wasn't a huge "beat," but really any beat would have been a surprise based on the setup informed by Wednesday's data.

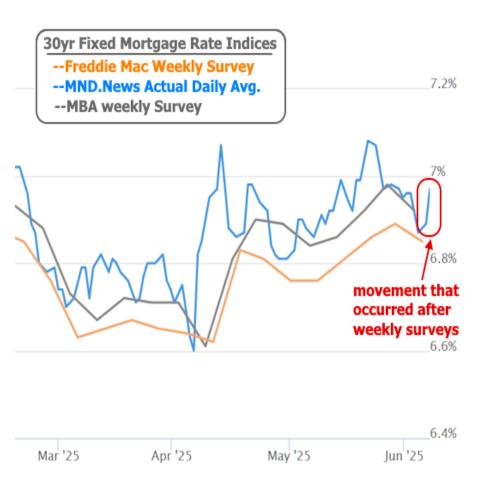




The bond market was quick to react. 10yr yields (which are highly correlated with mortgage rate movement) shot sharply higher, easily erasing the gains seen 2 days before.



MND's mortgage rate index (average top-tier 30yr fixed scenarios) moved back toward 7% after hitting 6.87% on Wednesday. Note: this means that mortgage rates were actually higher this week. Survey based rates from MBA and Freddie Mac were only able to capture weekly averages through mid-week, which was the best-case scenario this time around.



Bottom line: rates definitely **were** slightly lower on the week 2 days ago, but after the jobs report, they're back into the "almost 7%" range.

Next week brings several additional economic reports that traditionally matter to rates, but because those are focused on inflation, they'll be taken with a grain of salt until markets have more certainty on tariffs and trade deals. In addition to the data, the bond/rate market may cheer or protest certain developments on the spending bill being debated in the Senate.