

HOUSING NEWSLETTER

The Week's Most Important Housing News

A message from John "Demo" Lender:

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John "Demo" Lender

VP of Lending, Demo Mortgage Co.

[mbslive.net](#)

P: (704) 555-1212

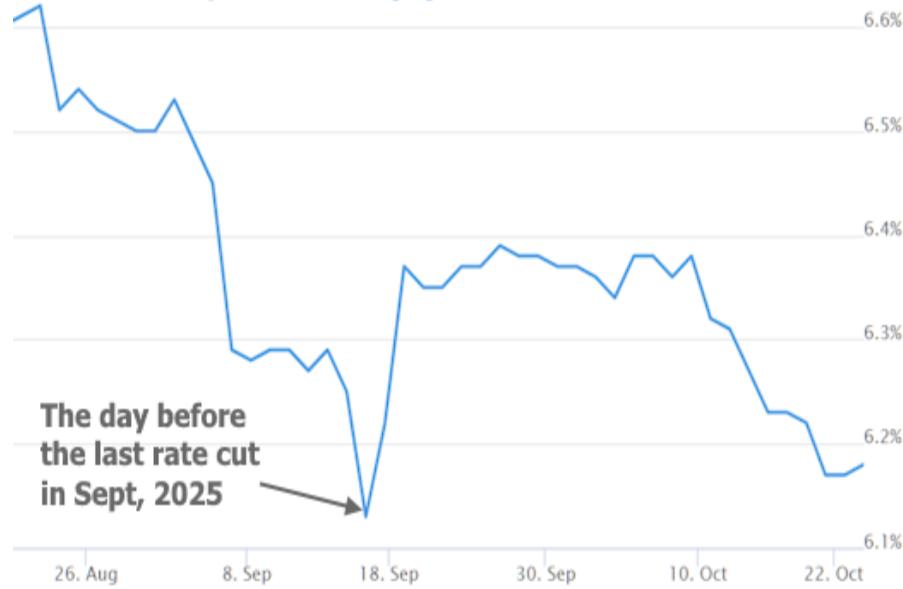
M: (407) 555-1234

10014 Normal Blvd.
Charlotte NC 28044

NMLS: 123456



30yr Fixed Mortgage Rate Index, MND



Before that, the last time the Fed began cutting rates was September 2024, which also saw a large, counterintuitive reaction:



Christina "Demo" Realtor

Managing Partner, Real Estate Company, LLC.

[mbslive.net](#)

P: (704) 555-1212

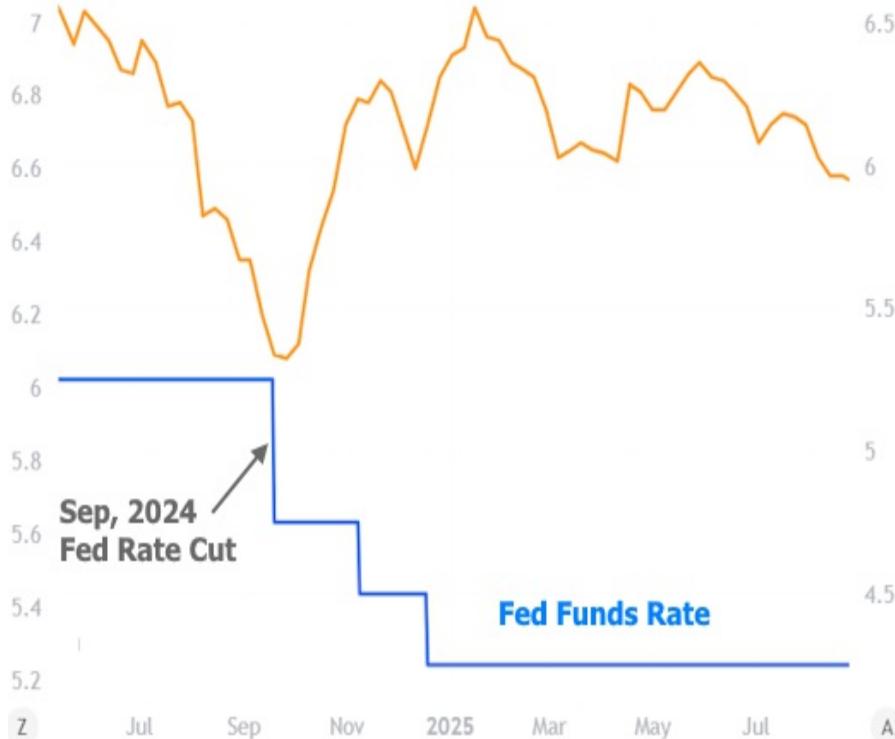
M: (980) 555-1212

social+test@mbslive.net

12954 S. Broad St.
Charlotte NC 28031



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Mortgage Rates

To be fair, whereas the Fed itself had a hand in pushing mortgage rates higher last month (based on the verbiage of the press conference), 2024's rate spike had a lot more to do with a shift in economic data. Either way, here's what matters:

BY THE TIME THE FED CUTS RATES, THE MARKET (INCLUDING THE MORTGAGE RATE MARKET) HAS LONG SINCE GOTTON IN POSITION.

How does the market know what to expect? Most times, it's very clear when the Fed will cut based on the tone of comments from Fed speeches and a general understanding of the economic data that informs the Fed's decisions. The market can actually trade the anticipated Fed Funds Rate via futures contracts.

The following chart shows those rate expectations. In not so many words, the market has been roughly 100% sure of a Fed cut next week ever since the jobs report that came out in September.

Fed Funds Futures (expected Fed rate after next week's meeting)



Bottom line: any potential benefit for mortgage rates due to the Fed Funds Rate was realized way back in early September. Mortgage rates have moved for other reasons since then because they don't have to wait for a set schedule to adapt to changing information. Contrast that to the Fed which only meets to set rates 8 times a year, thus often simply delivering what the market had already priced in.

Last but not least: This isn't to say that Fed Day can't have an impact on rates, only that said impact would have to come from unexpected WORDS in the Fed's statement or press conference. The rate change itself is not at all unexpected.