

Scott Munds
, Market Sales Leader
NMLS #OR 272506
3 Centerpointe Dr Lake Oswego, OR 97035

Office: (503) 969-9929
Mobile: (503) 969-9929
scottmundsmortgage@gmail.com
View My Website

What Did The Fed Do To Mortgage Rates?

The Federal Reserve (aka "the Fed") released its latest policy announcement this week without making any changes to existing policies or rates. The Fed doesn't directly control mortgage rates, but Fed policies--and even the verbiage of the announcement--can have an impact on ALL rates.

This time around, the market's biggest concern was that the Fed would take another step toward "tapering."

What is tapering and why does it matter?

In the pursuit of its policy goals, the Fed buys US Treasuries and mortgage backed securities (MBS). Treasuries serve as a reference point for most of the lending that takes place in the US. By buying both, the Fed ensures rates are low in general and that mortgage rates are as low as they can be.

As the pandemic grew more manageable and especially as the economy has come back online, the Fed has increasingly discussed winding down (or "tapering") the bond buying programs. When the market thinks (or knows) tapering is on the table, rates are at risk of moving higher.

The **same thing happened in 2013**, only the market was much more **surprised** by the taper talk. This time around, the market fully expected it. In fact, much of the increase in rates (especially Treasury yields) seen between August 2020 and March 2021 was an effort to price in the eventual taper.

Markets may have gotten a bit ahead of themselves in that regard. While this is understandable given the traumatic taper tantrum of 2013, the Fed has been surprisingly steady-handed this time around.

In a press conference following the announcement, Fed Chair Powell clarified the economy is still "a ways away" from the level of progress required to actually pull the trigger on tapering. Whereas some economists thought we'd see such a trigger pulled as early as September, Powell gave the impression that the discussion would carry on for at least 2 more Fed meetings. That puts an announcement off until November at the earliest--possibly later--with tapering probably not commencing until early 2022.

In addition to that slower decision-making process, Powell also addressed MBS **specifically**. He acknowledged that several Fed members wanted to taper MBS before Treasuries, but that they were the minority. At worst, it sounds like the Fed might consider tapering MBS and Treasuries at different paces--still a victory compared to an "MBS first" scenario.

National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.29%	-0.06	0.00
15YR Fixed	6.95%	-0.05	0.00
30YR FHA	6.91%	-0.08	0.00
30YR Jumbo	7.55%	-0.05	0.00
7/6 SOFR	6.88%	+0.02	0.00
30YR VA	6.92%	-0.08	0.00

Rates as of: 10/29

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	99.83	+0.24
10 YR Treasury	4.9215	-0.0950
30 YR Treasury	5.3001	-0.0452

Pricing as of: 10/29 5:59PM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Oct 14	188.6	-5.32%
Building Permits	Sep	1.4M	+0.43%
Housing Starts	Sep	1.22M	-4.24%
New Home Sales	Aug	684K	+12.69%
Pending Home Sales	Aug	71.2	0%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Oct	29	-9.38%

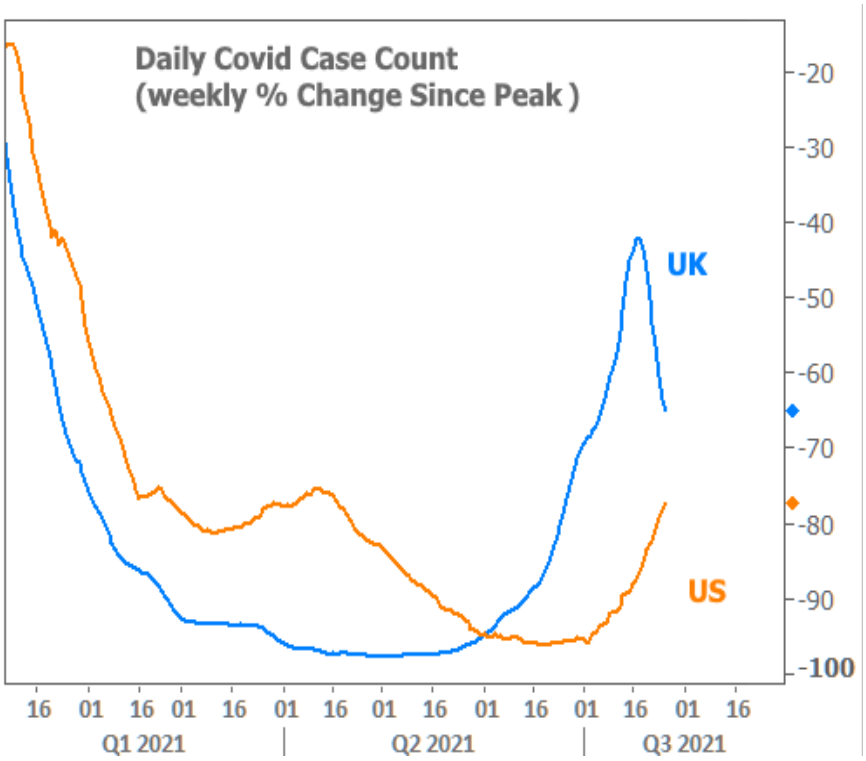
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All of the above has allowed the bond market and, thus, mortgage rates to remain at the strongest levels since February.

As long as covid cases continue to surge, rates should be able to avoid too much volatility. If other countries' experiences with the delta variant are any indication, we're measuring this time frame in weeks as opposed to days.



Still, next week brings bigger risks with several important economic reports culminating in Friday's official jobs report.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Monday, Jul 26				
10:00AM	Jun New Home Sales (ml)	0.676	0.800	0.724
10:00AM	Jun New Home Sales (%) (%)	-6.6	3.0	-5.9
Tuesday, Jul 27				
8:30AM	Jun Core CapEx (%)	0.5	0.7	0.5
8:30AM	Jun Durable goods (%)	0.8	2.1	3.2
9:00AM	May Monthly Home Price yy (%)	18.0		15.7
9:00AM	May Monthly Home Price mm (%)	1.7		1.8
9:00AM	May CaseShiller 20 yy (%)	17.0	16.4	14.9
9:00AM	May CaseShiller 20 mm SA (%)	1.8	1.6	1.6
10:00AM	Jul Consumer confidence	129.1	123.9	127.3
1:00PM	5-Yr Note Auction (bl)	61		
Wednesday, Jul 28				

Event Importance:

No Stars = Insignificant
☆ Low
★ Moderate
★★ Important
★★ Very Important

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Date	Event	Actual	Forecast	Prior
7:00AM	w/e MBA Purchase Index	251.7		255.8
7:00AM	w/e MBA Refi Index	3570.4		3267.6
2:00PM	N/A FOMC rate decision (%)	0.000 - 0.250	0.125	0.125
2:30PM	Powell Press Conference 7/28/21			
Thursday, Jul 29				
8:30AM	Q2 GDP Advance (%)	6.5	8.5	6.4
8:30AM	w/e Jobless Claims (k)	400	380	419
10:00AM	Jun Pending Sales Index	112.8		114.7
10:00AM	Jun Pending Home Sales (%)	-1.9	0.3	8.0
1:00PM	7-Yr Note Auction (bl)	62		
Friday, Jul 30				
8:30AM	Jun Core PCE Inflation (y/y) (%)	3.5	3.7	3.4
9:45AM	Jul Chicago PMI	73.4	64.6	66.1
10:00AM	Jul Consumer Sentiment (ip)	81.2	80.8	80.8
10:00AM	Jul Sentiment: 1y Inflation (%)	4.7		4.8
10:00AM	Jul Sentiment: 5y Inflation (%)	2.8		2.9
Monday, Aug 02				
10:00AM	Jul ISM Manufacturing PMI	59.5	60.9	60.6
Tuesday, Aug 03				
10:00AM	Jun Factory orders mm (%)	1.5	1.0	1.7
Wednesday, Aug 04				
7:00AM	w/e MBA Purchase Index	247.5		251.7
7:00AM	w/e MBA Refi Index	3571.3		3570.4
8:15AM	Jul ADP National Employment (k)	330	695	692
10:00AM	Jul ISM N-Mfg PMI	64.1	60.5	60.1
Friday, Aug 06				
8:30AM	Jul Non-farm payrolls (k)	+943	870	850
8:30AM	Jul Unemployment rate mm (%)	5.4	5.7	5.9
10:00AM	Jun Wholesale inventories mm (%)	1.1	0.8	0.8

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“We exist to make a difference in people’s lives by providing the right mortgage products."

Scott is the Portland Mortgage Coach, an Ideas Machine, a Revolutionist and a Rock N' Roller!

Ask me about my ** Hero-Homebuyer ** program that helps Veterans, First Responders, Healthcare Workers (HCW), Volunteers and Teachers!!

With over 25 years in the Mortgage Industry. Scott Munds is #1 a family man. Married over 30 years to his lovely wife Susie with four amazing children all living in the Portland Metro area. He enjoys spending time in the community serving with the Community Action group and the Blanchet House. Scott has a serving heart! In business, Scott is known as a straight shooter full of integrity. He is a Master in the Mortgage Loan Process with a legendary reputation in the mortgage and real estate industry. Scott has earned an extensive following of real estate agents, clients who love him, and an avant-garde mind that attracts respect inside and outside of his business.

If you are a Local Hero-Homebuyer (Classified as - A First Responder, Teacher, Veteran, Government Employee, Healthcare Worker, or Local Volunteer), then please message me to find out what loan discounts, down payment assistance, and other incentives you may have and have earned). It's time for us to serve you. Thank you for your Service! - Scott Munds

Scott Munds 

EQUAL HOUSING LENDER

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