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## *Market Update for January 9, 2024*

### **Market Summary: Understanding the Latest on Mortgage Rates and the Economy**

#### **Federal Reserve's Changing Views on Inflation**

Recently, there's been a shift in how the Federal Reserve (the Fed) views inflation. Michelle Bowman, a key member of the Fed, used to think we needed more rate hikes (increases in interest rates) to control inflation. However, she's now saying that the measures the Fed has already taken are helping to reduce inflation. She believes that inflation will continue to decrease over time and eventually, the Fed might even reduce rates to avoid being too strict.

Atlanta Fed President Bostic also noted that inflation is decreasing more than expected. This is a positive change from his previous, more cautious statements.

#### **What's Coming Up: Consumer Price Index (CPI) Report**

The big news this week is the upcoming Consumer Price Index (CPI) report for December. This report measures the change in the cost of goods and services over time. The expectation is that overall inflation (including everything) might rise a little bit. However, when we look at the core inflation, which doesn't include food and energy prices, we might see a decrease from 4% to around 3.8% or 3.9%. This drop is significant as it indicates that inflation might be cooling down, which is good for the bond market and could impact mortgage rates positively.

#### **Small Business Optimism and Hiring Trends**

The NFIB small business optimism index, which shows how confident small businesses feel about the economy, has increased slightly. However, there's a decrease in their plans to hire new employees and to increase inventory, which might affect the GDP (the total value of goods and services produced in the country).

#### **Mortgage Bonds and Interest Rates**

Mortgage bonds are currently stable, staying around a key average value. If they drop below this level, we might see a fall to the next support level. The 10-year interest rate is at 4% and is staying below a critical resistance level. We're keeping an eye on the upcoming CPI report, which might be a turning point and could lead to lower mortgage rates.



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So, in summary, there's cautious optimism in the market. With inflation appearing to slow down, we might see some positive changes in mortgage rates soon. Keep floating (waiting to lock in a rate) for now, as the situation might improve after the CPI report.

#### *About Today's Lock Commentary...*

*The views and commentary are provided by Matt Robertshaw, an industry veteran of over 20 years. The views on rates come from an Originator's point of view, seeing each loan as a real person with a real desire to save some money or improve their rate situation – not a hedge fund where we “manage risk” and “take some loans off the table”. These views, while heavily researched, are still the opinion of Matt and the Mortgage Strategists. Please do your own due diligence when it comes to locking or floating a mortgage rate.*

*Matt is a licensed Mortgage Loan Originator in the state of Texas, licensed under NMLS 925153.*