



MORTGAGE STRATEGISTS
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Market Update for January 17, 2024

Today's Housing Market and Economic Overview

Stock and Bond Market Trends

- Stocks and mortgage bonds have both started lower today.
- A 20-year bond auction happening this afternoon could influence the bond market, depending on investor interest.

Federal Reserve Outlook

- Fed Governor Christopher Waller commented on inflation and the Federal Reserve's plans. He's optimistic about reaching a sustainable 2% inflation rate but wants more data before reducing rates.
- Waller anticipates three rate cuts this year, but with the economy looking stable, he suggests these cuts may not be as rapid as before. This stance wasn't well-received by the bond market, which had been expecting a rate cut as soon as March.

Retail Sales Report

- Retail sales in December were higher than expected, showing a 0.6% increase, with non-auto sales doubling predictions.
- This strong retail activity is pushing bond prices down and affects GDP estimates. However, it raises questions about consumer spending habits. Are people spending wisely, or are they over-leveraging with credit card debt and services like Buy Now, Pay Later? This distinction is crucial for understanding the health of consumer finances.

Mortgage Application Data

- The Mortgage Bankers Association (MBA) reported a 9% increase in home purchase applications, though they're still 20% lower than last year.
- Refinance applications are up by 11% compared to last year. Interest rates remain around 6.75%, which is slightly higher than last year.
- This recent rise in mortgage applications, despite being from a low base, is a positive sign.

Technical Analysis of the Mortgage Market

- Mortgage bonds have broken below the 25-day Moving Average, indicating a potential downtrend with room to fall further before hitting the next support level.
- The 10-year yield has risen above its 200-day Moving Average, now at 4.10%. If this trend holds, the 200-day average could become a new barrier, preventing lower yields



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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.