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Lowest Rates in Weeks After Jobs Report and Oil Price Drop

Mortgage rates moved lower almost every day this week with most of the help coming from war-related headlines and a last minute boost from the jobs report.

Rates are driven by bonds and the bond market dynamic is surprisingly simple these days. Oil price volatility is a constant source of inspiration with rates generally moving the same direction as oil. Additional considerations include the usual suspects like big-ticket economic reports and any notable updates from the Federal Reserve.

This week saw several positive developments in Iran, either related to the pace of fighting or the prospects for reopening the Straight of Hormuz. Oil prices responded accordingly and bond yields (aka "rates") generally followed.

The chart below shows 10yr Treasury yields and oil futures this week with the notable movement highlighted. The additional rise in 10yr yields on Thursday came courtesy of a large corporate bond announcement (this increases supply in the bond market which, in turn, lowers prices and increases yields/rates).

National Average Mortgage Rates

Mortgage News Daily	Rate	Change	Points
30YR Fixed	6.74%	-0.04	0.00
15YR Fixed	6.31%	-0.01	0.00
30YR FHA	6.32%	-0.02	0.00
30YR Jumbo	6.88%	0.00	0.00
7/6 SOFR	6.30%	-0.08	0.00
30YR VA	6.34%	-0.02	0.00

Rates as of: 8/25

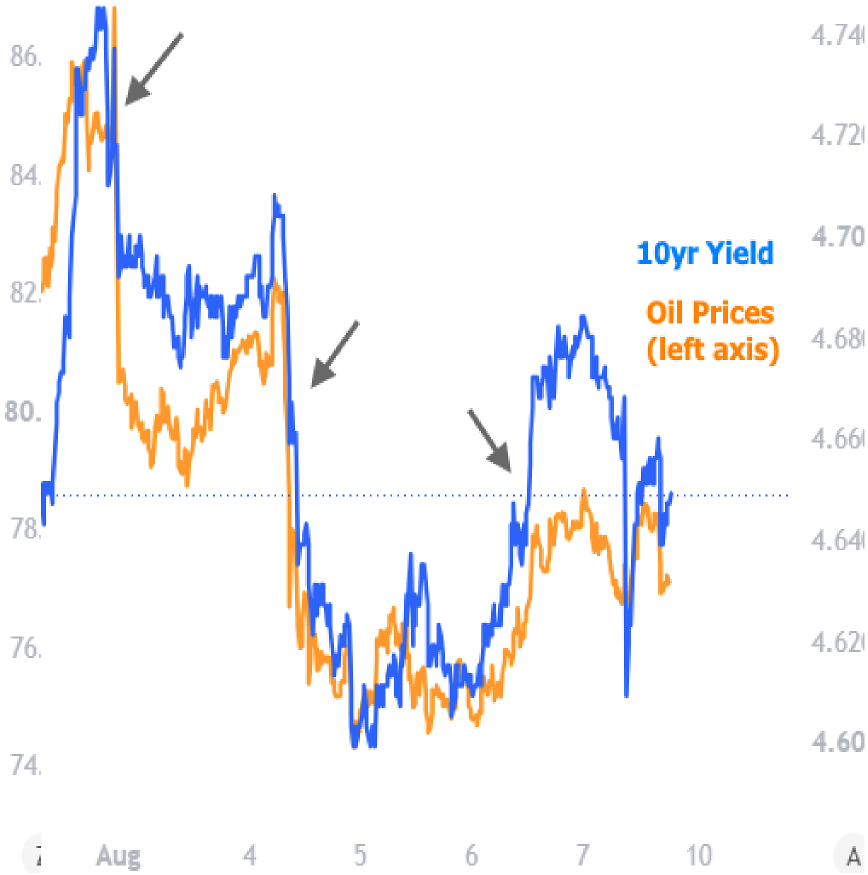
MBS and Treasury

	Price / Yield	Change
MBS UMBS 5.5	99.56	-0.11
10 YR Treasury	4.6446	+0.0149
30 YR Treasury	5.1806	+0.0140

Pricing as of: 8/26 1:42AM EST

Recent Housing Data

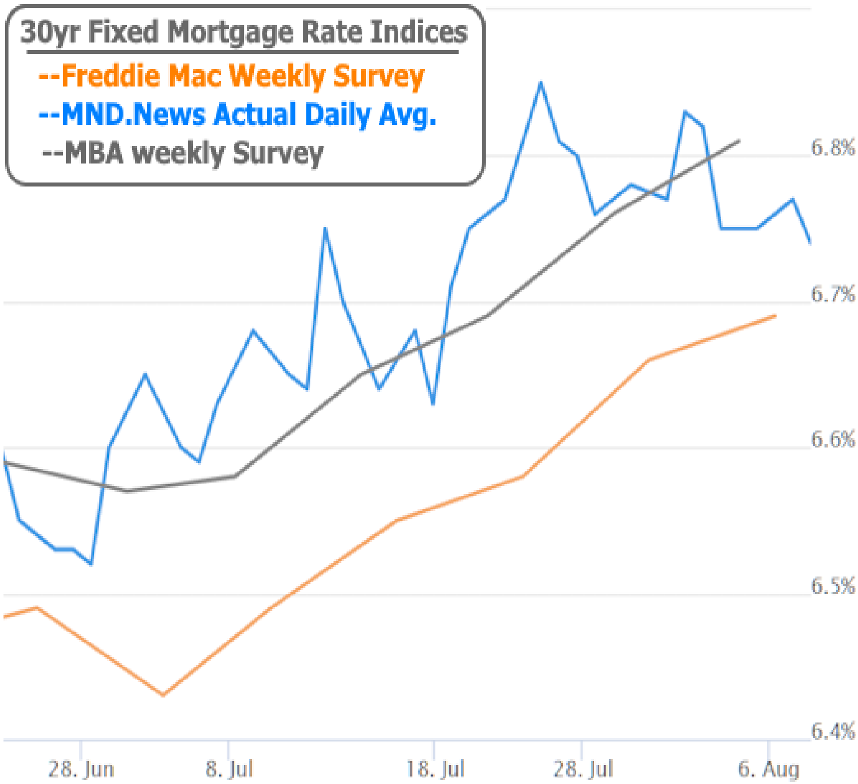
		Value	Change
Mortgage Apps	Aug 12	247.7	-0.36%
Building Permits	Jul	1.44M	+5.56%
Housing Starts	Jul	1.24M	-13.17%
New Home Sales	May	580K	-6.75%
Pending Home Sales	Jul	71.2	-1.79%
Existing Home Sales	Aug	4.06M	-0.73%
Builder Confidence	Aug	35	+2.94%



The big drop in bond yields seen on Friday came after the release of the latest monthly jobs report which showed much lower than expected job creation. The job count (officially "nonfarm payrolls") came in at -23k versus expectations of +80k. Traditionally, that would result in a massive drop in rates. These days, however, markets are more and more interested in the unemployment rate, which actually moved 0.1% lower from last month.

How can the economy lose jobs but have a lower unemployment rate? The latter is a math equation based on the total of people who consider themselves "in the job market." If they respond to a survey saying they have a job, they count as employed. Meanwhile, the official job count comes from business surveys. It can show a decline in the number of jobs without impacting unemployment if fewer people say they're in the market for a job.

All that having been said, rates still improved from Thursday to Friday, ultimately ending the week at the lowest levels since July 20th. Weekly, survey-based rate indices have yet to catch up to the drop in daily rates measured by Mortgage News Daily.



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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Monday, Aug 03				
10:00AM	Jul ISM Manufacturing PMI	55.6	54	53.3
10:00AM	Jun Construction spending (%)	-0.1%	0.2%	0.1%
Tuesday, Aug 04				
8:30AM	Jun Trade Gap (bl)	$-73.3B	$-73.0B	$-77.6B
10:00AM	Jun USA JOLTS Job Openings (ml)	7.359M	7.4M	7.594M
10:00AM	Jun Factory orders mm (%)	-0.3%	0.2%	-1.3%
Wednesday, Aug 05				
7:00AM	Jul/31 MBA Purchase Index	154.0		159.8
7:00AM	Jul/31 MBA Refi Index	709.1		723.1
8:15AM	Jul ADP jobs (k)	44K	70K	98K
10:00AM	Jul ISM N-Mfg PMI	54.1	54.5	54.0
Thursday, Aug 06				
8:30AM	Aug/01 Jobless Claims (k)	199K	202K	197K
8:30AM	Q2 Unit Labour Costs QoQ Final	1.3%	2.1%	1.8%
Friday, Aug 07				

Event Importance:

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

Date	Event	Actual	Forecast	Prior
8:30AM	Jul Unemployment rate mm (%)	4.1%	4.2%	4.2%
8:30AM	Jul Non Farm Payrolls (k)	-23K	80K	57K
8:30AM	Jul Average earnings mm (%)	0.1%	0.3%	0.3%
Tuesday, Aug 11				
10:00AM	Jul Existing home sales (ml)	4.06M	4.05M	4.09M
Wednesday, Aug 12				
8:30AM	Jul y/y Headline CPI (%)	3.4%	3.4%	3.5%
Thursday, Aug 13				
8:30AM	Jul PPI y/y	4.7%	4.9%	5.5%
8:30AM	Aug/01 Continued Claims (k)	1777K	1800K	1801K
Friday, Aug 14				
8:30AM	Jul Retail Sales (%)	-0.6%	0.1%	0.2%
10:00AM	Aug Consumer Sentiment (ip)	51.0	54.5	55.2

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