

**Week of  
July 4,  
2022**

**Mortgage  
Market  
Commentary**

Mortgage rates declined last week with fears of a recession weighing on the market. The ISM Index, Consumer Confidence, and GDP all pointed to slowing economic activity. The Fed's preferred core inflation gauge in the PCE, remained level for the month, which pulled the annualized number down. This is a challenging time for the Federal Reserve. Many items remain outside their direct influence, including supply chains, COVID, and the war in Europe. To bring inflation back under control, the Fed must use the tools at its disposal. The risk is that the Fed overtightens monetary policy and tips the US into a recession. So, the Fed is watching and hoping for signs of slowing, but not cratering economic activity, and indications that prices are stabilizing.

The direction of rates for the next few weeks could be mostly dialed in on Friday. The monthly employment report is due, and the number of new jobs created will be key. If more jobs are created than anticipated, we're likely to see rates moving up in anticipation of more big Fed rate increases.

## This Week's Top Economic Reports and Events

<i>Report/Event</i>	<i>Date</i>	<i>Prior</i>	<i>Est</i>	<i>Impact</i>
<b>ISM Service Index</b>	7/6	55.9	54.2	<b>Moderate</b>
A slowing in this index would help rates move downward. However, an increase would create upward pressure on mortgage rates.				
<b>FOMC Meeting Minutes</b>	7/6			<b>Significant</b>
The market will be looking for clues to how responsive and flexible the Fed appears. The more flexible, the more likely rates move downward.				
<b>EIA Petroleum Report</b>	7/7			<b>Significant</b>
Every bit of improvement in this report will translate into additional downward pressure on all interest rates.				
<b>Unemployment Rate</b>	7/8	3.6%	3.6%	<b>Significant</b>
With the labor market still very strong, no change is expected here, and even a small change might be ignored by the market this round.				
<b>Nonfarm Payrolls</b>	7/8	390K	250K	<b>Significant</b>
Any number over 250K would help squash hopes that the Fed will dial down its planned number of increases and help push rates upward.				

## Freddie Mac's Primary Mortgage Market Survey

	<u>June 30</u>		<u>6/23/22</u>
30 Year Fixed	5.70%	▼	5.81%
15 Year Fixed	4.83%	▼	4.92%
5/1 Year ARM	4.50%	▲	4.41%

Source: [FreddieMac.com](https://www.freddiemac.com)

## Cryptocurrency and Metaverse Backed Mortgages?

For people who have significant money invested in the virtual world, leveraging those assets to purchase real-world property can be appealing. A few companies have products where a borrower can use virtual assets to secure a purchase. Sounds interesting, right? These products can be very risky for anyone without non-virtual assets to cover the mortgage. A drop in cryptocurrencies, like we've seen recently, can trigger clauses that liquidate holdings or cause other

## Mortgage Rate Trends

Short-Term →→  
Long-Term →→  
Volatility

## Interest Rates and Indexes

1 Yr T-Bill	2.940%	11th D. COFI	0.223%
10 Yr T-Note	3.360%	COSI	0.130%
6 Month Libor	2.835%	CODI	0.229%
Prime Rate	4.750%	MTA	0.644%

## Worth Remembering

Do not confuse motion and progress. A rocking horse keeps moving but does not make any progress.

Alfred A. Montapert