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(Continued from page 1)

which was down from 3.2% in the previous report. Estimates were looking for this to rise to 3.3%, so this was 0.6% better than expected. Despite these readings, the markets are ignoring the March inflation numbers because the effects of the Trump tariffs have yet to be seen and most economists, as well as the Federal Reserve, believe the tariffs will cause higher inflation.

The Federal Reserve is very concerned about the current and future condition of the US economy. Fed chair Jerome Powell recently expressed his concern that the Fed may be in a very tough position when it comes to their monetary policy due to rising unemployment, rising inflation, and a slowing economy. He signaled that inflation is more important than labor concerns by stating “without price stability, we cannot achieve the long periods of strong labor market conditions that benefit all Americans”.

This seems to indicate that the Fed is not yet ready to bail out the markets by cutting their target interest rate, the Fed Funds, anytime soon. In response to Powell’s comments, Trump posted on Truth Social and said,

“Powell’s termination cannot come fast enough”. Powell terms out on May 15, 2026. That seems like an eternity based on how volatile the markets have been on a day-to-day basis as we wait on the effects of the Trump tariffs. After the last three+ years of higher mortgage rates, rate relief can’t come fast enough.

If you are curious to see how you can use the current market conditions to your benefit, please reach out for a free consultation. Stay tuned here for future updates and feel free to reach out for a free consultation if you want to understand more about interest rates and mortgage products.

As always, your mortgage guy,

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Vic’s Mortgage Report

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My mission is to help buyers qualify for the best loan available for their circumstance. I spend a generous amount of time with each client to educate them about how the mortgage industry works, through free “Mortgage 101” consultations, so they can make good decisions and get the best loan possible. I’ve revamped my website to give clients the best resources to supplement my consultations.

When I’m not doing loans, I’m an avid scuba diver and certified Rescue Diver. Eventually, I’d like to become a dive instructor, so I can share the joys of this ocean sport with others.

I give back to the Monterey Bay Aquarium, Divers Alert Network (DAN), and the National Outdoor Leadership School (NOLS).

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Volatility is the New Normal

Hi Friends,

The volatility in the markets seems to be the new normal due to the Trump tariffs. With wild swings in the stock market and stocks declining on any given day by as much as 15%+ from the historically high levels the current administration inherited from the prior administration, the normal reaction would be for investors to put their money in the safe haven of the US treasury bond market.



In normal times, this flight to safety would increase the demand for treasury bonds, which lowers the bond yields and immediately lowers mortgage interest rates. Instead, investors are fleeing both the US stock market and the US bond market. Less demand for bonds is causing mortgage rates to increase and the Federal Reserve is not yet ready to cut their target rate to help lower consumer interest rates, which would eventually help lower mortgage rates.

Adding to the lack of demand in the bond market may be that foreign investors are selling US Treasury bonds because of the volatility created by the current administration. China and Japan both invest heavily in the US bond market and are both being

taxed through the Trump tariffs. Foreign investors could be dumping US Treasury bonds because the US is now seen as a less safe place to invest or as a means of retribution and a response to the Trump tariffs. Less demand in US bonds and more supply in US bonds is keeping mortgage rates elevated.

Exacerbating the supply and demand issues in the bond market is the belief in the markets that the Trump tariffs will increase inflation. Inflation keeps bond yields elevated by reducing demand for US treasury bonds. Despite the recent better than expected inflation readings in both the CPI (consumer Price Index) and PPI (Producer Price Index), the bond market did not see the normal demand that comes with these lower inflation numbers.

The March Consumer Price Index (CPI) report showed that overall inflation fell 0.1% for the month, which was lower than the 0.1% expected. Year over year, inflation slowed from 2.8% to 2.4%, one tenth lower than anticipated. The March Producer Price Index Report, which measures wholesale inflation, was reported at -0.4%, which was cooler than the 0.2% anticipated. Year over year, Producer Prices rose 2.7%,

(Continued on back page)