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indicators of inflation pressures and inflation expectations, and readings on financial and international developments. The Committee anticipates that it will be appropriate to raise the target range for the federal funds rate when it has seen further improvement in the labor market and is reasonably confident that inflation will move back to its 2 percent objective over the medium term."

Rates started to increase after this statement but prior to the statement release, rates were just slightly off of the low levels we saw right before the April meeting and then accelerated to the highest levels we have seen this year. Over the course of the next two weeks, we lost roughly .5% of interest rate. The rate increase was exacerbated on May 11th when one of the Fed members, who is usually "dovish" regarding rate increases, San Francisco Fed President John Williams, said that his one-year forecast indicates that the U.S. economy will see unemployment below 5%, underemployment at "more normal levels," inflation heading back to 2% and "rates will be moving up." He also said what we already know from the prior Fed meeting, that the Fed can hike rates at any meeting.

The bond market went into a sharp sell-off, which caused rates to spike upwards over the following two days to the highest levels we have seen this year. As is always the rule when tracking mortgage interest rates, rates move up very quickly and then take a long time to move back down. Once

rates hit bottom on January 30th of this year, it took only two weeks for rates to climb to the highest levels of this year, and then it took a month and a half for rates to come back close to the lows of January 30th. Now we are back to the highest point again and it may take a month or two to recover from the sharp sell-off in the bond market.

This volatility wreaks havoc in the mortgage industry from the lenders to the title companies, who are constantly hiring and firing as the market shifts, and it shifts month to month. As I have preached before in this newsletter, people who wait on the fence until they hit their exact rate may only have a day to lock in that rate and then have only 30 days to get the deal done while all of the time frames for processing the loan are increasing. In this volatile market, having one's ducks in a row is crucial and gambling for every .125% increment in rate can cause months long delays. Being prepared and willing to take a rate that is close to the target is the most prudent approach, otherwise one can miss the boat entirely. According to the Fed, the boat is in the water and is just waiting for the right conditions to set sail.

As always, your loan guy,
Viral (Vic) Joshi

P.S. If you want to get more timely market updates, I have a weekly newsletter that goes out via e-mail. E-mail me, **viral@vicjoshi.com**, so that I can put you on the mailing list.

Vic's

Mortgage Report

"Home of Free Mortgage Consultation"

Viral (Vic) Joshi

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Hello Friends,
The volatility continues as we all await the impending Federal Reserve rate hike. The April 28-29

Federal Open Market Committee meeting saw the Fed reiterate its stance in requiring employment stability and 2% inflation before increasing their target Fed Funds interest rate. They have removed all other barriers to increasing rates and can increase them anytime they see the economy hitting these key targets.

From the Fed Meeting:

"To support continued progress toward maximum employment and price stability, the Committee today reaffirmed its view that the current 0 to 1/4 percent target range for the federal funds rate remains appropriate. In determining how long to maintain this target range, the Committee will assess progress — both realized and expected — toward its objectives of maximum employment and 2 percent inflation. This assessment will take into account a wide range of information, including measures of labor market conditions,

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