Macro Roundup Article

Headline: Could 6% to 7% 30-Year Mortgage Rates be the "New Normal"?

Article Link: https://calculatedrisk.substack.com/p/could-6-to-7-30-year-mortgage-rates

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Publication	Calculated Risk
Publication Date	June 07, 2023

Tweet: .@calculatedrisk notes a Goldman Sachs forecast that the FFR will stabilize around 3-3.25% and argues this implies 30-year mortgage rates will remain in the recent 6-7% range.

Summary: Goldman Sachs economists argued the neutral rate will likely be higher than the Fed currently expects. "Our best guess is that if the Fed solves the inflation problem without a recession, the funds rate will eventually stabilize closer to 3-3.25% than to the FOMC’s 2.5% median longer run dot." If the neutral rate is in the range Goldman economists expect, then the 30-year fixed mortgage rate will be in the low to mid 6% range. With a 3.25% Fed Funds rate, a 4.45% 10-year yield, we’d expect 30-year mortgage rates around 6.45%. This is close to the recent range! Note that with this neutral rate, the 10-year yield would likely increase even as the Fed lowers the Fed Funds rate.

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