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Rates managed to move slightly downward last week as recession fears grew amid hopes that the Fed is beginning to impact inflation. The ISM Services Index moved upward, and the Producer Price Index came in a bit over expectations. However, recent comments from the Fed have led the market to anticipate a 50 basis point increase at this week's Federal Open Market Committee meeting.

The Fed will be meeting in the middle of a week that also sees the release of the Consumer Price Index, Retail Sales, and Industrial Production. Experts are predicting that the inflation numbers will hold near last month’s 0.3% core increase, while other indicators point to economic slowing. Markets will be focused not only on the Fed’s rate increase but on the Summary of Economic Projections (“dot plot”) that will be updated. If the dot plot reveals that the Fed is expecting to raise rates higher and hold them high for longer than previously expected, we could see mortgage rates returning to an upward trend. However, if the dots remain nearly the same, rates could continue to drift downward.