

MORTGAGE RATE WATCH

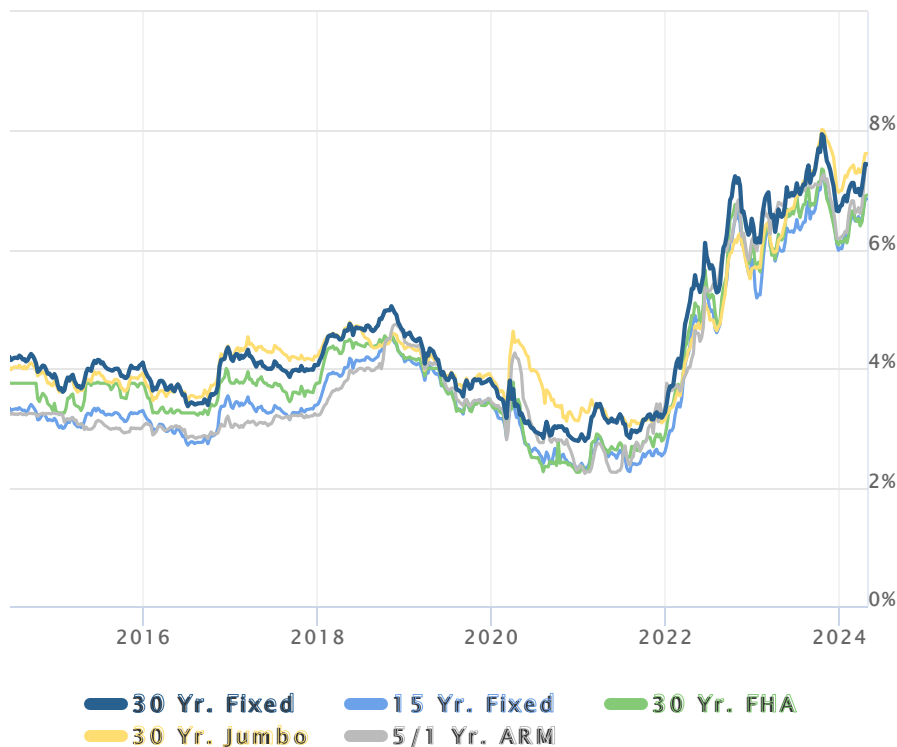
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Mortgage Rates Are Quickly Shaking Off Last Week's Panic

Mortgage rates moved lower again today, with the average lender erasing a good amount of the weakness seen last week. That's good news considering rates hit **all-time lows** on the afternoon of June 1st (last Monday). After that, however, rates rose at their fastest pace in several months, raising some concern that the bond market (which underlies rates) was shifting gears in response to stronger-than-expected economic data.

It remains to be seen whether these past 2 days constitute a **reversal** in a negative trend or if they're merely a **token correction** to last week's rate spike. In other words, are things good or are they just noticeably less bad than they were? We won't be able to answer this until we see how things play out in the coming days.

Tomorrow's Fed announcement is the biggest potential flashpoint for volatility in the bond market this week. The Fed will certainly continue to buy Treasuries and mortgage-backed bonds. This is a **key ingredient** in keeping rates as low as they have been. Within the scope of "still buying bonds," the Fed has some leeway in terms of how much it buys and how much it promises to buy. Some investors are looking for the Fed to firm up its bond buying commitment tomorrow, and that would likely help rates continue to calm down (as long as the promise is to keep buying as much as they have been).



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