Investor Caution Helping Push Rates Back Toward Lows

Mortgage rates improved modestly today as investors remain cautious amidst rising coronavirus stats in several states. The experience of those states is fueling broader concern about a 2nd wave of the disease that may logically follow less efficient social distancing as various states and counties reopen for business.

In general, when investors are feeling cautious or fearful (relatively), we tend to see things like the bond market do **better** while stocks do **worse**. That's not a hard and fast rule, but it' a fair generalization. This notion is supported in the current environment by the fact that stock prices and bond yields have been an almost perfect mirror image of each other recently.

Bond prices move **inversely** with rates/yields. In other words, higher bond prices lead to lower interest rates. Mortgages are part of the bond market because a majority of them end up being grouped together and effectively "turned into" bonds via the securitization process. As bonds, they offer an alternative to things like US Treasuries for some investors. Simply put, strong demand in the bond market tends to find its way into mortgage bonds as well, thereby pushing bond prices higher and mortgage rates lower.

Again, today's movement was fairly modest, but nonetheless friendly. The average lender is within an eighth of a percentage point from the rates offered during last week's **all-time lows**.

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8%
6%
4%
2%
0%
2016
2018
2020
2022
2024
30 Yr. Fixed
15 Yr. Fixed
30 Yr. FHA
30 Yr. Jumbo
5/1 Yr. ARM