Mortgage Rates Just Got Even Lower

Matt Graham
Founder and CEO, MBS Live

Mortgage rates were already at all-time lows yesterday, and had been holding at those levels for at least 3 business days for the average lender. I normally tell people that mortgage lenders are hesitant to drop rates very aggressively when they're already at all-time lows, and that's always been the case. At least it **had been the case** before coronavirus.

Even then, the past 3 business days were making a similar case. Rates had bottomed out and the broader bond market (which ultimately drives mortgage rates) looked like it preferred a flat trajectory to one that continued to even deeper all-time lows.

The bonds that specifically underlie the mortgage market **had other ideas**. So far this week, they've improved much more noticeably than the bond market's poster child the 10yr Treasury yield. 10yr yields aren't even back to last week's best levels. Mortgage bonds, on the other hand have blown right past theirs.

There are **several reasons** for this--all of them relatively confusing. Treasuries suffer more from the expectation for additional fiscal stimulus (because new Treasuries must be issued to pay for the stimulus, and Treasury issuance puts upward pressure on rates, all other things being equal). There have also been some favorable developments in the supply/demand equation for mortgage bonds. The net effect is much bigger improvement in mortgage rates versus Treasury yields over the past few weeks.

Will this continue? Prediction is tough... especially about the future. But what I can say is that a lot of us who watch the market very closely are on high alert for signs that the low rate environment is under imminent threat. While that could change with even one major coronavirus headline, we're not seeing that threat as of today.