MORTGAGE RATE WATCH
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Rates End 6-Day Streak at Record Lows

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Mortgage rates cooled off today, rising for the **first time since July 27th** for the average lender. Between now and then we've seen a string of what have mostly been new record lows with top tier 30yr fixed offerings well under 3%. For more on what constitutes a "top tier scenario," check out **yesterday's explainer**.

It's an **interesting time** for rates. We've seen record lows before, but we haven't seen this combination of staying power at those lows coupled with the expectation for additional improvements in the future. In other words, it was pretty logical for rates to drop quickly in response to covid-related realities and it would be pretty logical for rates to remain in this territory (or better) as long as those realities persist.

Be careful with that logic though... While the Fed continues to offer assurance about rates remaining "lower for longer," the Fed only has the utmost control of the shortest term rates. It's true that Fed policy still has a dramatic effect on longer term rates like mortgage, but it can't singlehandedly prevent mortgage rates or longer-term Treasury yields from rising when the time comes.

So **when does the time come?** One can only guess, but it almost always tends to come for longer-term rates far before the Fed has moved to hike shorter-term rates. In fact, 10yr yields (considered a leading benchmark for longer-term rates like mortgages) bottomed out more than 6 months before the Fed began rate hike cycles in 1999 and 2004.

The same relationship is a bit harder to pin down for the Fed's late 2015 rate hike due to the unprecedented level of central bank involvement in the bond market. Even so, the best takeaway is that the Fed's short term rate outlook is under no obligation to play by the same rules as longer-term rates. Yes, it's easy to imagine many more months of record low rates, but by the time the economy is suggesting a reversal, the bond market will have **already** traded it and rates will already be on the way up.


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