Mortgage Rates Under Pressure as Market Volatility Picks Up

Mortgage rates have been spoiled, relatively, by an **extraordinarily calm/narrow** trading pattern in the bond market. That's important because the bond market directly affects the day to day changes in mortgage rates. A narrow/calm trading pattern means bond prices aren't moving. The implication is that mortgage rates wouldn't need to move much either.

That **WOULD** be the case were it not for the new adverse market fee being phased in by every lender that offers conventional refinances (pretty much all of them). Additionally, the historically low rates forced lenders to change their pricing based on their **capacity** at times. In other words, there have been a few solid reasons for mortgage rates to move on any given day/week even though the underlying bond market hasn't suggested much movement since mid-August at least.

But now the bond market **IS moving**, and that will always be something the mortgage market has to consider when setting rates. Let's just say today's move--while not remotely the worst we've ever seen--was bad. The mortgage side of the bond market actually just had a reasonably bad day but the Treasury market (which does more to set the tone for the overall bond market) did more to convey the sense that trends could be shifting toward higher rates. For the record, it did that in late August as well, but that turned out to be a head fake.

It remains to be seen whether or not the current move is a head fake. Either way, it pushed today's mortgage rates **noticeably higher** versus last week's for the average lender (as much a 0.125% in some cases).

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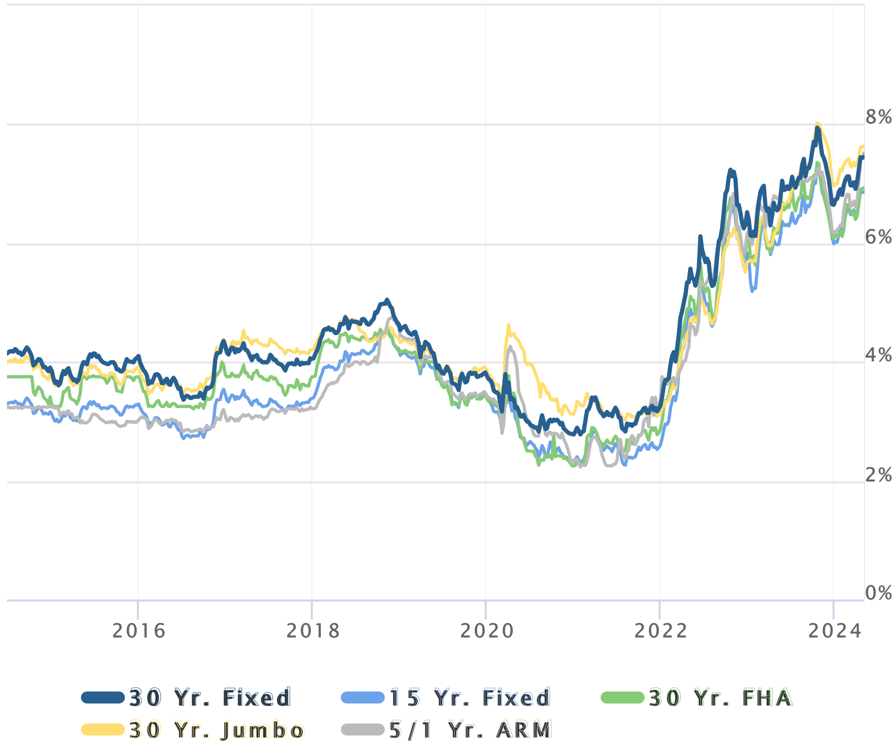
8%
6%
4%
2%
0%
2016
2018
2020
2022
2024
30 Yr. Fixed
15 Yr. Fixed
30 Yr. FHA
30 Yr. Jumbo
5/1 Yr. ARM