Mortgage Rates Closing Out The Year at Record Lows

For all practical purposes, the year is over when it comes to mortgage rate volatility. True, there is some small chance that **political developments** conspire to push rates just a bit higher in the next two days, but the damage would be insignificant in the bigger picture.

In other words, we're looking at **"all-time low"** rates today versus "rates that are close enough to all-time lows that no one would really notice the difference" in the event of more negative outcomes. The catch is that these sorts of assumptions get increasingly risky as the new year commences. Especially concerning for bonds (which dictate rates) is the Georgia senate election. This has nothing to do with political opinion and everything to do with the nature of stimulus and government funding.

Specifically, democrats and republicans would both tell you that covid-related stimulus will be bigger in 2021 if democrats control both the House and the Senate. Bigger stimulus means the government must issue more Treasury debt. This is neither bad nor good, but there are pros and cons depending upon what you value. One downside is that increased Treasury issuance puts **upward pressure** on Treasury yields which, in turn, but upward pressure on mortgage rates, all other things being equal. That said, it remains to be seen how big the move in Treasuries would be and if any unforeseen developments would be in a position to offset that move. Beyond that, the mortgage market still has a moderate amount of insulation against rising Treasury yields.

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