MORTGAGE RATE WATCH

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February Easily The Worst Month For Rates in Long Time

There are still 4 business days left in the month of February and thus still 4 days for the bond market to undergo an **epic** recovery that helps mortgage rates come back down. But traders and market-watchers alike have pined for--if not outright expected--such a recovery several times in the past few weeks only to be **disappointed**. Merely avoiding additional rate spikes would be a victory at this point.

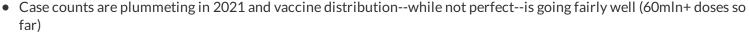
Even if we can manage to avoid further rate spikes, February will still go down as the **worst month** for rates since January 2018 (March 2020 was worse at face value, but it's not really a fair comparison due to the unprecedented bond market reaction to the pandemic).

Some back-of-the-napkin math (OK, it's actually more official than that) shows the average lender charging at least a quarter of a percent more today than at the end of January. Depending on the initial rate quote, today's rates are .375% higher in many cases.

Why are rates suddenly rising so quickly?

That's a simple question with a lengthy answer. Last week's commentary goes into greater detail to answer it, but the short version is that the bond market has been pointing toward rising rates since August 2020 and the most recent increases merely represent a bit of an acceleration of that process. As for the reasons underlying that reason, here are a few bullet points for those not inclined to click the link above:

 Bonds/rates initially accounted for a bleak reality in mid-2020 and that reality grew less threatening in some ways by the end of the year, and significantly less threatening in 2021



- Fiscal stimulus prospects increased dramatically with the democratic sweep of congress in early Jan, and fiscal stimulus puts obvious upward pressure on rates
- inflation metrics have been causing conversations about inflation returning to the stage as threat to interest rates after more than a decade being extremely subdued
- economy doing better than many expected with respect to adapting to covid-related restrictions
- Optimistic attitudes about people being able to return to the workforce in greater numbers after widespread vaccine distribution and a return to full-time in-person schooling.
- generally stronger economic data despite recent lockdowns
- the belief that a combination of fiscal and monetary stimulus will continue to underpin economic resilience and inflation
- the certainty that the Fed will buy fewer bonds as soon as the economy justifies the shift, thus inciting a "taper tantrum" part 2.



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