

## 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
- Case counts are plummeting in 2021 and vaccine distribution--while not perfect--is going fairly well (60mln+ doses so far)
- 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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