MORTGAGE RATE WATCH
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Mortgage Rates Are Now Well Over 3 Percent

Mortgage rates WISH they were still at 2.97%--the number conveyed today by Freddie Mac's weekly survey. Freddie's data is accurate when it comes to capturing broad trends over time, but can really fall short when the bond market is experiencing elevated volatility.

To say that bond market volatility has been elevated recently is an understatement of **extreme** proportions. Things are happening that haven't happened in **years**. Some measures of volatility rival the March 2020 panic surrounding covid, only this time, there's no catalyst other than the market movement itself.

Today was **by far the worst** of the bunch when it comes to this most recent spate of volatility. Most any mortgage lender added another eighth of a percent to their 30yr fixed rate offerings. Over the course of the past week, most lenders are .25-.375% higher. And compared to the beginning of last week, many lenders are a full HALF POINT higher. In other words, what had been 2.75% is now 3.25%. What had been 2.875% is now 3.375%.

Are these high rates in a historical context? **Not at all**. Before covid, they'd be in line with record lows. But relative to the recent lows, this rate spike is getting to be about as abrupt as we've seen in the past few decades--not quite on par with the worst offenders, but close enough to be in their same league.

The rest is a repeat from the most recent commentary:

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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