

MORTGAGE RATE WATCH

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Mortgage Rates Are Low and Stable, But Face Bigger Risks Tomorrow

Mortgage rates moved lower today, bringing the average lender to the best levels since late February. Despite the milestone, the day-over-day movement in rates has been pretty mild. Most lenders are making changes that are only noticeable in the form of upfront costs (aka "points") as opposed to rates themselves. If we use upfront costs and rates to extrapolate an "effective rate," the average movement has been 0.01-0.02% on any given day.

Rates have been more likely to move lower vs higher in the past 6 days, but that creates some risks in and of itself. Market participants who trade the securities that underly mortgage rates tend to shy away from additional buying once these winning streaks get to be more than 7 days long.

With all of the above in mind, our potential 7th winning day in a row arrives tomorrow at the same time that the market will be digesting the big jobs report released in the morning. Last month's report was one of the first irrefutable examples of rates reacting to economic data since the pandemic began. As such, tomorrow's numbers definitely have the potential to push rates higher or lower. The presence of solid recent gains means the bar for additional improvement is slightly higher than it otherwise might be.



Gregory Pavlich

President, Resource
Mortgage Corp

www.rmcboulder.com

P: (303) 444-1200

M: (303) 717-1359

1221 Pearl St
Boulder CO 80302