

# MORTGAGE RATE WATCH

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## Mortgage Rates Moving Higher Again

**Mortgage rates** had enjoyed a solid little run for almost all of April and again in the first week of May. By last Thursday, they were at their lowest levels in more than 2 months in many cases. Even now, they're **still** closer to those recent lows than to the highs seen at the end of March, but they're definitely **higher**.

Rates are primarily driven by trading levels in the bond market. Those trading levels take a variety of cues, but one of the most basic is that of "**supply and demand**." Econ 101 teaches us that higher supply begets lower prices, all other things being equal. The same is true for bonds. This week, supply is surging on several fronts with record sizes for Treasury auctions and several large corporate bond offerings. While neither of these are the same bonds that most directly influence mortgage rates, they are correlated and interdependent enough that mortgage rates ultimately feel the ill effects of increased supply.

In the **worst** cases, borrowers may see rates that are as much as an eighth of a point higher than they were at times last week (conventional conforming 30yr fixed). Despite the increase most lenders remain in the **low 3% to high 2%** range for flawless scenarios.



**Jason Wood**

Mortgage Advisor & VA  
Loan Specialist, VA Loan  
Guy - American Mortgage  
Network

[www.valoanguy.us](http://www.valoanguy.us)

**P:** (760) 350-3989

**M:** (760) 217-0820

1185 LINDA VISTA DR  
SAN MARCOS CA 92078  
317293

**VA Loan Guy**