

MORTGAGE RATE WATCH

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Rates Moving Higher Ahead of Fed

Mortgage rates had a great week **last** week, ultimately getting very close to the lowest levels since March. One of the main sources of motivation was the market phenomenon known as a "short squeeze." In not so many words, this means that too many traders were betting on rates moving higher for them to all be right, so the market self-corrected with a quick move back toward lower rates.

The **problem** with short squeezes is that they don't serve as a good foundation for sustained low rate momentum--a tendency that's proving to be true so far **this week**. In other words, last week's rate-friendly trend has run its course and markets are now gearing up for tomorrow's policy announcement from the Fed. In today's case, that took the form of a moderate move back toward **higher** rates.

While the Fed is **not yet ready** to adjust its policy rate or change its bond-buying game plan, they may speak to the probabilities of those prospects in the future. There are several ways they could do this ranging from the announcement itself to the press conference with Fed Chair Powell which occurs 30 minutes after the announcement at 2pm ET. There's also the updated economic projections which include Fed members' individual views of when the first rate hike will occur (as well as where rates will be at the end of the next few years).

Bonds (which drive rates) have a tendency to react with more volatility to these Fed meetings (the 4 of the 8 that include the economic projections). There's no way to know if that reaction will be good or bad for rates--only that tomorrow afternoon brings **increased odds of a bigger move**.



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