MORTGAGE RATE WATCH
Daily Coverage. Industry Leading Perspective.

No Easy Victories For Mortgage Rates

10yr yields may have hit their lowest levels in months in the wee hours of the morning and people may always perceive a bit too much correlation between 10yr yields and mortgage rates, but the latter didn't have quite the same success. To be fair, Treasuries ended up **losing** ground as the day progressed, but even so, they are nearer to their recent lows than mortgage rates.

The mortgage market is coping with **several of its own hurdles** when it comes to this competition. The first one has to do with the yield curve (i.e. the different rates of return on Treasury securities of varying time frames). Rather than bet on outright levels in US Treasuries, traders often bet on the relationship between two levels. If they see longer-term rates moving closer to shorter-term rates, that's referred to as "**flattening**" (because the yield curve would have a flatter shape).

Flatteners have been all the rage after last week's Fed announcement, and they tend to be better news for 10yr Treasuries than mortgage rates. Today actually brought the opposite trading pattern (a **steepener**), and indeed, the mortgage market did better than 10yr Treasuries, but in today's case, that merely means mortgage rates didn't rise as much as Treasuries.

Gregory Pavlich
President, Resource Mortgage Corp
www.rmcboulder.com
P: (303) 444-1200
M: (303) 717-1359
1221 Pearl St
Boulder CO 80302

Even if the underlying mortgage bond market scores a victory in the coming days, it **may not translate** to substantial improvements for the rates offered to consumers. The reason? Volatility! The faster and bigger the swings between highs and lows are, the more expensive it becomes to originate a mortgage. That expense is felt in the form of slightly higher rates, all other things being equal.

Lastly, there's **simply a risk** that the overall bond market is settling into a sideways trend as it waits for more actionable information in the coming months. If that's the case, it's easier to argue that current levels are closer to the lower boundary of the probable range. That means a slightly bigger risk of upward pressure as opposed to downward opportunities for rates.

All that having been said, there's **no way** to predict the future for markets. There are reasons rates could go even lower. But if they do, it would be slow going.

As for today, it **wasn't the end of the world.** A few lenders were actually right in line with last week's rate offerings, depending on the time of day of their last rate sheet on Friday and their new rate sheets today. On average, however, conventional 30yr fixed rates are just a hair higher.