MORTGAGE RATE WATCH
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Mortgage Rates Inch Toward 2-Week Lows

Mortgage rates are primarily a function of trading levels in the bond market and bonds have enjoyed (or suffered) an interesting mix of volatility and stability in June. US Treasury yields (which share a strong correlation with ,mortgage rates) moved sharply lower at the beginning of the month. Mortgages didn't move quite as much, but nonetheless made it to their **best levels** since late February.

After that, the Fed announcement on June 16th was the next major source of volatility. It pushed rates **quickly higher** and they've been gradually **recovering** since then. Today adds another almost imperceptible brick to that wall, but it's enough to nudge the average 30yr fixed rate to its lowest level since the morning before the Fed announcement. Some see those levels as a sign that it's time to be more defensive when it comes to rate expectations going forward, and that's not a bad way to view things considering the broader bond market has struggled to improve much beyond current levels.

Others see the lack of improvement in concert with a similar lack of deterioration and conclude that the market is **biding its time** before making its next big decision. To whatever extent the market is even willing to make big bets during what is typically a slower time of year for trading, this Friday's jobs report stands the best chance to inform such decisions. In that sense, the lower volatility of the past few trading sessions could simply be a calm before the storm.

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