

MORTGAGE RATE WATCH

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Mortgage Rates Officially Hit 5-Month Lows

With yesterday's **mortgage rates** already near longer-term lows, all it took was a modest improvement for today's rates to officially hit their **best levels since February**. The strong move in the bond market (which dictates rates) was more than enough.

Back in February, we were passing through the present rate range on the way **UP**, and there were few--if any--reasons to think that we'd return to those levels given the present realities. **Specifically**, covid case counts are roughly as low as they've been since the start of the pandemic. Economic data has been strong. Inflation metrics have been running hot (inflation is bad for rates). And the Fed is increasingly talking about dialing back its rate-friendly bond-buying programs.

But as is always the case, markets were trying to price in as much of the future as possible when rates were **rising**, and now they're trying to get ahead of the **next move** (the one where the rising rate trend cools off). In fact, they've been doing that for several months now, based on the knowledge that friendly Fed policies would be intact at least until this fall and that the surge in economic momentum associated with reopening would eventually level off.

While there continue to be positive economic anecdotes, there are **just as many** reports speaking to that notion of leveling-off. Combine that with buyer fatigue/wariness (housing, vehicles, stocks), growing concern over the delta variant, cooling inflation expectations, and a distinct leveling-off in the vaccination rate, and it's easy enough to reconcile a healthy push back against what was shaping up to be a year of rising rates.

The average lender is once again able to dip into the **high 2's** when it comes to top tier conventional purchase scenarios. Refi rates continue to be slightly higher--especially cash-out refis.



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