Mortgage Rates are Much Higher This Week

After hitting 6-month lows early last week, **mortgage rates** bounced and have been moving **higher** ever since. The increases were moderate at first, but the pace quickened after last Friday's jobs report. In general, strong economic data is bad for rates. The jobs report is generally considered to be the most important piece of economic data for rates. That's **especially** true right now as the Fed tries to decide when it will slow the pace of its bond buying program.

The Fed isn't the only consideration for rates though. In fact, while the timing is a bit of a moving target, it's really the underlying **economy** that stirs the Fed to action. And as far as the economy is concerned, the state of the **pandemic** is probably the most important input, but there are others that rival it from time to time.

Over short time horizons, the **supply** side of the bond market can cause quite a bit of volatility. Indeed, it's the reason we warned about this week's potential volatility last Friday. "Supply" refers to **new bonds** in search of buyers. These can be Treasuries, mortgage-backed-securities (MBS, which most directly affect mortgage rates), and corporate bonds to name a few. The current week is suffering from the combination of regularly-scheduled Treasury auctions and an unexpectedly large pile of corporate bonds getting dumped in buyers' laps.

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In other words, there's a lot of supply! As with anything in the free market, higher supply means **lower prices (for bonds)**, all other things being equal. Lower bond prices mean **higher yields (aka "rates")**. This is one of the key factors behind the ongoing push toward higher rates so far this week.

Conventional 30yr fixed mortgage rates are now **nearly a quarter of a percentage point higher** than last week's lows, on average.


8%
6%
4%
2%
0%
2016
2018
2020
2022
2024
30 Yr. Fixed
15 Yr. Fixed
30 Yr. FHA
30 Yr. Jumbo
5/1 Yr. ARM