

MORTGAGE RATE WATCH

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Mortgage Rates Begin The Week Slightly Higher

Mortgage rates moved **slightly higher** to begin the holiday-shortened week. With Labor day being a bank holiday, mortgage lenders were closed yesterday despite much of the world remaining open. Futures and overseas markets thus had some extra time to distance themselves from Friday's latest levels. In today's case, that distance was in an unfriendly direction for rates.

The damage is **minimal** in the bigger picture. On average, lenders are quoting the same rates seen last week, but with slightly higher closing costs today. Most of the weakness in the underlying bond market is centered on US Treasuries as opposed to the mortgage-backed securities (MBS) that serve as the foundation for mortgage rates. The Treasury-specific weakness is likely due to the presence of several big Treasury auctions this week in addition to heavy corporate bond issuance (which tends to hurt Treasuries more than MBS).

What's the implication? There is potential good news and bad news. If the bond market manages to make it through the next few days without losing too much more ground, we could see momentum swing in the other direction, and carry rates back to last week's lows. On a potentially negative note, if the Treasury auction cycle meets with lackluster demand, the broader bond market could shift gears in such a way that we see some momentum toward higher rates. It's too soon to tell which kind of news we'll receive, but things could begin to clear up as early as tomorrow afternoon.



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