

## Mortgage Rates Lower Today, But Volatility Remains a Risk

**Mortgage rates moved lower** today after starting the week by jumping noticeably higher yesterday. Today's gains came courtesy of global growth concerns early in the trading session and a strong 10yr Treasury auction during domestic market hours. This morning's mortgage rates weren't too much better than yesterday's, but several lenders offered mid-day improvements after the Treasury auction. Lenders who held firm would likely improve tomorrow morning unless overnight market drama undoes today's gains.

**Why do Treasury auctions matter to mortgage rates?** Treasuries and MBS (mortgage-backed securities--the bonds that most directly affect mortgage rates) are both part of the bond market. They correlate quite well for a variety of reasons (not the least of which being that Treasuries are the risk-free starting point against which every dollar-denominated bond investment is measured). As such, when Treasuries have a good day, MBS (and thus, mortgage rates) tend to have at least a decent day. Today was no exception.

All of the above having been said, we're talking about very **small** movements in the bigger picture. The average lender is still quoting the same rates seen yesterday, but with modest improvements in upfront costs (i.e. lower lender fees or higher lender credits, all other things being equal).

**Tomorrow** brings several important developments with the European Central Bank (ECB) releasing a periodic policy update. Just like Treasury considerations can spill over to the mortgage world, global central bank considerations (the kind that affect the European bond market) can spill over to the US bond market. Domestic hours bring one final Treasury auction for the week at 1pm ET.



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