Mortgage Rates Little-Changed Ahead of Fed Day

By the end of last week, **mortgage rates moved up** to match their highest levels in 2 months. After a modest recovery yesterday, today's rates are little-changed.

As is often the case when examining day-to-day rate changes, we're talking about relatively **small** movements in the bigger picture. The average mortgage seeker would likely be seeing the same "note rate" on almost any day in more than a month now. In the most extreme circumstances, the change would be limited to 0.125% (typically the smallest increment separating different rate offerings for most lenders). When the bond market doesn't justify an entire eighth of a percent, lenders make adjustments via upfront costs/credits. In this way, the "effective rate" is changing every day even if the "note rate" is not.

Certain days carry **increased risk** of bigger movement--enough to nudge the average rate up or down to the next 0.125% increment. Tomorrow is one of them. At 2pm, the Fed releases its latest policy announcement. Although the Fed is not likely to announce a reduction in its bond buying efforts just yet, they could introduce verbiage that alludes to a reduction in the near future. That's important because Fed bond buying is one of the factors helping to keep rates as low as they are.

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In addition to the announcement itself, the Fed will also be issuing a quarterly update of economic projections from each Fed member. The most widely followed component is the Fed Funds Rate forecast (if you're heard of **"the dots,"** that's a reference to the dot plot format in which the Fed conveys rate expectations). The dots have a strong track record of causing short-term volatility for the entire interest rate spectrum (even though the dots only refer to the shortest-term rates).

Last but not least, Fed Chair Powell will answer questions at a press conference 30 minutes after the announcement/dots. If the announcement doesn't contain any revelations about the timing of future Fed policy changes, reporters will certainly push for that at the press conference. This too has the potential to cause immediate volatility in the bond market. **Bottom line:** rates have been stable recently, but tomorrow brings bigger risks.

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