Mortgage Rates Leveled Off Today, But Volatility Could Return

Mortgage rates managed to hold **mostly steady** on Wednesday despite several headwinds that threatened to push them higher.

The first headwind falls into the very broad category of "momentum in the bond market." Lenders set their rates each morning based on trading levels in the bond market, and bonds have generally been doing poorly over the past 3 weeks (i.e. pointing toward higher rates). In fact, bonds were at their weakest levels in months at one point in the overnight hours, but things changed as trading ramped up domestically.

The second headwind was the stronger-than-expected result in this morning's ADP Employment report. This data is viewed as one of several predictors of the all-important jobs report that comes out on Friday. While the correlation between the two is hit and miss, when ADP's numbers are significantly different than forecasts, the bond market tends to react.

In today's case, however, bonds had a muted reaction to ADP and ultimately continued pushing back against overnight weakness for several more hours. The net effect is a vote in favor of this week's existing rate range for the time being.

All that having been said, where ADP may have **failed** to cause drama for rates, Friday's big jobs report can certainly succeed. That doesn't mean it **will** invariably result in volatility, but more than any other piece of economic data, it reserves the right to do so.

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