Mortgage Rates Slightly Lower Despite Bond Market Weakness

Mortgage rates are directly based on trading levels in the bond market, so it's almost a given that rates will move in the same direction as bond yields on any given day. But for a variety of reasons, it **doesn't** happen like that every day. Today was just such a day.

That's a **good** thing this time around considering the bond market's suggestion was for rates to move higher. **So why didn't they?** In this case, it was all about timing. Bonds were pointing toward lower rates in a relatively precipitous way on Thursday and Friday last week. Lenders tend to hold back a bit when bonds are moving that quickly. As such, they had some cushion at the start of the new week, and it was big enough to absorb the moderate weakness in the bond market without having to raise rates. In fact, the average lender was just a hair lower.

Keep in mind that we're talking about **extremely** small movement. Between Friday and today, you'd likely see the exact same "note rate" for any given conventional 30yr fixed scenario. The improvements would only be detectable in the form of upfront costs. Since that means the overall cost of financing is lower, we would refer to that as a drop in the "effective rate" (a purer expression of the imperfect industry analog: APR).

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