

MORTGAGE RATE WATCH

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Lowest Mortgage Rates in More Than a Month

Mortgage rates moved **moderately lower** for the 5th straight day, bringing them to the best levels since late September or early October, depending on the lender. Just as last week's gains were driven in part by technical considerations concerning trading positions in the bond market, the new week continues to benefit from "short covering." This refers to investors either choosing or being forced to buy bonds to cover bets on higher rates, and it can generate snowball-like momentum toward lower rates at times.

Today's centerpiece calendar event was the auction of 10yr Treasury notes. The market positioned aggressively for the auction (meaning investors expected it to confirm the recent momentum toward lower rates). By the time the auction happened, the market was perhaps a bit ahead of itself and bonds cooled off in the afternoon (implying some momentum back toward **higher** rates). All that having been said, it wasn't enough for mortgage lenders to raise rates above the new long-term lows seen this morning.



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