MORTGAGE RATE WATCH
Daily Coverage. Industry Leading Perspective.

Rates Jump Sharply After Hitting Multi-Week Lows

Mortgage rates managed to drift down to their best levels in more than a month by yesterday, but the good times **ended** today... **abruptly**!

Interest rates are tied to trading levels in the bond market, and bonds got **killed** today. Things were already looking bad at the start of trading, but as the day went on, they got worse at an increasingly unpleasant pace. The first offender was the Consumer Price Index, a key inflation report, which came out much higher than expected. Bonds don't like high inflation, so it was no surprise to see yields rising throughout the morning.

The **bigger issue**, however, was the afternoon's 30yr Treasury bond auction. The market was clearly nervous about it based on the linear weakness leading up to the auction cut-off. The fears proved to be well-founded after the auction stats showed incredibly weak demand relative to expectations. Bonds continued to tank and multiple mortgage lenders were forced to issue mid-day reprices. The net effect pushed the average lender almost a full **0.125%** higher compared to yesterday on a conventional 30yr fixed scenario.

Markets are closed for Veterans day tomorrow and Friday is expected to be thinly-traded in the bond market. In other words, we **won't** get a great idea as to where the current volatility will stabilize until next week.

Gregory Pavlich
President, Resource Mortgage Corp
www.rmcboulder.com
P: (303) 444-1200
M: (303) 717-1359
1221 Pearl St
Boulder CO 80302