MORTGAGE RATE WATCH

Daily Coverage. Industry Leading Perspective.

Mortgage Rates Hold Mostly Steady Ahead of Fed Announcement

Traditionally, financial markets have been interested in announcements from the Federal Reserve due to the Fed's policy rate (the Fed Funds Rate) and the line of thinking that might inform its future movement. Since 2009, **things have changed**. With the Fed engaged in large scale bond buying more often than not, it's the status of those bond buying programs that are of primary interest. The Fed's fund rate still matters, but only when there's a surprising and tangible change to the outlook.

With that in mind, tomorrow's Fed announcement may bring such a change. There are **two reasons** for this. **First**, the Fed will most likely announce a faster wind-down of its bond buying programs. The targeted end date for bond buying will tacitly suggest the time frame in which the Fed is thinking about hiking rates for the first time since cutting them to zero at the start of the pandemic.

The **second reason** is that this is one of the 4 meetings per year where the Fed releases its economic projections. These include a dot plot of each Fed member's view on the appropriate level for the Fed Funds rate at various points in the future. The market tends to react to the dot plot fairly eagerly.



Gregory Pavlich President, Resource Mortgage Corp

www.rmcboulder.com P: (303) 444-1200 M: (303) 717-1359

1221 Pearl St Boulder CO 80302

How does all that affect **mortgage rates?** That remains to be seen. It could help or hurt depending on the pace of the bond buying reduction and the magnitude of the shift in the dot plot. We know both are coming, but we don't know the magnitude of the change. Bottom line: be prepared for volatility tomorrow afternoon. That means the mortgage rates seen in the morning could look drastically different from those seen at the end of the day.