MORTGAGE RATE WATCH
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Mortgage Rates Hitting Even Higher Highs

Mortgage rates had been drifting modestly higher in general in the past 2 weeks, but the pace is accelerating in the new year. For some lenders, this occurred yesterday in response to heavy selling in the bond market (mortgage rates are based primarily on bonds). Those lenders were forced to raise rates just a bit more today as bonds continued to deteriorate. Lenders who didn't fully adjust rates upward yesterday made the biggest upward adjustments.

The net effect is an average conventional 30yr fixed rate that is now closest to 3.375. For most of the past 2 months, the range has been 3.125-3.25%.

The bond market has several concerns at the moment, but the overriding narrative is one of optimism surrounding the eventual outcome of the omicron surge. Traders were already prepared for a big uptick in covid case counts, but if that uptick fails to translate to more serious statistics in the same manner as previous waves, it hearkens the transition to a more economically palatable phase of the pandemic. Bonds feed on fear, turmoil, and risk aversion. If the pandemic outlook might be improving, the net effect is upward pressure on rates, all other things being equal.

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