Mortgage Rates Spiking at Fastest Pace in a Long Time

Last week **wasn't** a great one for mortgage rates. Most lenders were roughly a quarter of a point higher on a conventional 30yr fixed scenario by Friday. This morning's additional weakness in the bond market brings the average conventional 30yr fixed scenario closer to 3.625% (as always, rate quotes depend on multiple factors, and the overall range is very wide).

There are several ways to reconcile the market movement underlying the rate spike. The Fed is the **easiest target** as last week's "minutes" suggested a faster timeline for balance sheet normalization.

Those are fancy words that mean the Fed will be decreasing its rate-friendly bond purchases sooner/faster than previously expected.

Other explanations include the notion that omicron could substantially hasten the endemic phase of covid. Finally, bond market supply has been elevated over the past 2 weeks, and higher supply means higher rates, all other things being equal.

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With any move as abrupt as this, there's **always a chance** that technical factors will help push back in the other direction. Simply put, traders will eventually have sold enough bonds that the new, lower prices (and higher yields) are attractive enough to bring buyers back into the market. There's no telling exactly when that will happen or how much of a recovery it could induce--only that it becomes more likely the higher rates go.

On a housekeeping note, if you missed last week's commentary on the 3.22% figure in Freddie Mac's rate survey being WAY too low to reflect the end-of-week reality, **it's worth getting caught up** (and then realizing that rates have only **continued** to move higher since then). Or just take a look at the chart!

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