Mortgage Rates Move Up Despite Bond Market Gains

In almost every case, a day of bond market improvement results in rates moving lower. That makes sense considering mortgage rates are based primarily on bonds. But there are days when the correlation breaks down. Today is one of them!

These periodic breakdowns can happen for several reasons. The **most common** is due to the timing and magnitude of various bond market movements. Specifically, bonds lost ground yesterday afternoon late enough in the day and in small enough measure that the average mortgage lender didn't do much about it. Lenders instead chose to adjust this morning's rate sheets lower to account for yesterday's weakness.

But today's official assessment of bond market strength/weakness is based on the **end**-of-day levels (which, again, had deteriorated in the final minutes). So in day-over-day terms, bonds are stronger. But compared to the last time mortgage lenders put out rate sheets, bonds are weaker. That's the the most basic reason for the discrepancy.

On a slightly more complex note, we could talk about the separate bonds the comprise the US Treasury market and the mortgage-backed securities market. Mortgage bonds **aren't doing as well** today. They're just barely stronger whereas US Treasuries are faring much better.

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The net effect is an average 30yr fixed rate that is **modestly higher** compared to yesterday's latest levels, but still not as high as those seen on the first two days of the week.