MORTGAGE RATE WATCH
Daily Coverage. Industry Leading Perspective.

Mortgage Rates Are Even Higher Than You've Been Told!

Matt Graham
Founder and CEO, MBS Live

Thursday marks the weekly release of the industry's most widely cited mortgage rate survey. All manner of news outlets rely on the survey to generate once-a-week stories. Those have been especially popular recently, but only because bad news sells.

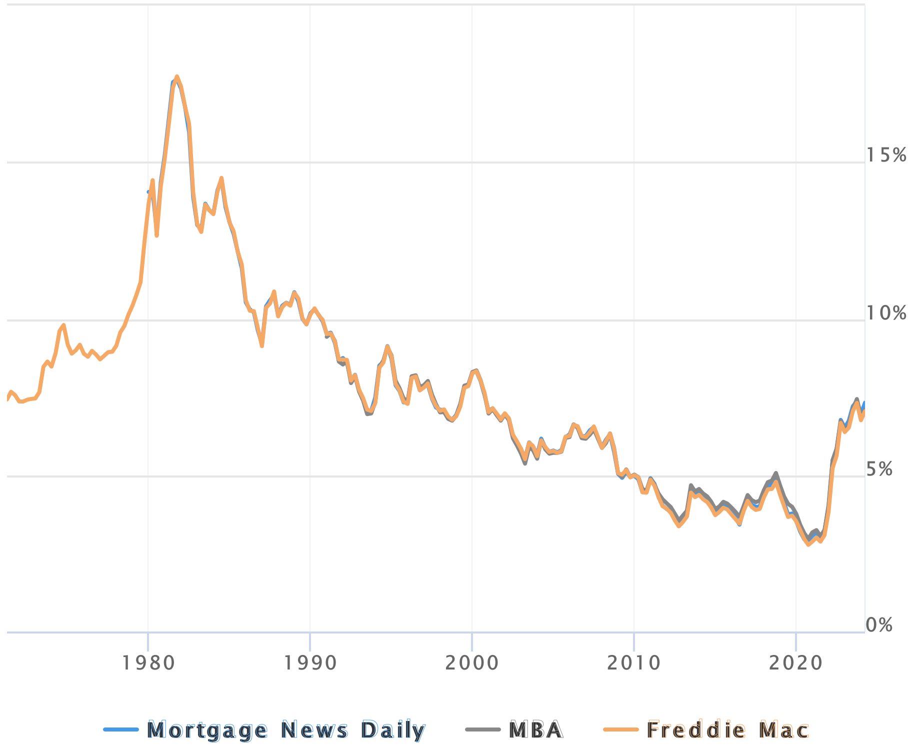
The only problem with that news in this case is the fact that it's no longer accurate. Due to the methodology of the survey, by the time the numbers are released on Thursday morning, things may have already changed quite a bit. That has been the case consistently in 2022 and today is no exception.

Thankfully, the survey at least moved in the right direction, once again suggesting an abrupt increase to the highest rates in years. But the 30yr fixed rate number (5.11%) is way too optimistic compared to the current reality which is **closer to 5.375%**.

It's tricky to discuss to discuss motivations for the rate spike in intraday terms because so much of it is attributable to broad phenomena. Chief among these are **inflation** and the associated response from central banks. Inflation can be thought of as a component of interest rates. The higher it goes, the higher rates go, all other things being equal, and the market's running estimate of inflation hit another new long-term high today.

Inflation is also forcing the Federal Reserve and other central banks to tighten monetary policy. Yes, the Fed is in the process of hiking the Fed Funds Rate, but the **bigger concern** for mortgage rates is the soon-to-be-announced "normalization" of the Fed's balance sheet. That's a fancy way of saying they'll be buying fewer mortgage-backed bonds and Treasuries--actions that do more than almost anything to influence momentum for longer-term rates.

At this point, the market is **running scared** from the Fed's messaging--bracing for the worst and hoping for something that isn't quite as bad. Traders fear an imminent normalization announcement and a potential for the Fed to be even more aggressive in removing rate-friendly policies. Those fears were reinforced by several Fed speakers today, and other major central bankers struck a similar tone. But again, that's where things get tricky. It wasn't so much today's individual comments that pushed rates higher, but the comments definitely didn't do anything to allay market fears.


15%
10%
5%
0%
1980
1990
2000
2010
2020
Mortgage News Daily
MBA
Freddie Mac