Mortgage Rates Only Modestly Higher Despite Market Volatility

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Mortgage rates are most directly affected by trading levels in the bond market--specifically those of mortgage-backed securities or MBS. It was a somewhat volatile and generally weaker day for the bond market, but that weakness was far more apparent for US Treasuries for a variety of reasons. The net effect is that mortgage rates only moved **modestly higher** for the average lender. In many cases, prospective borrowers won't see any major differences from yesterday's quotes.

There are two, possibly three caveats here. The **first** is that although mortgages outperformed Treasuries today, the opposite has been true for the entirety of 2022 so far, and in fairly grand fashion. In other words, mortgage rates have been rising much faster than the Treasury securities most commonly used as mortgage market benchmarks--usually the 10yr, 5yr, or 5/10yr blended rate. (Note: a benchmark in this case doesn't mean that rates should be similar, only that they tend to move by similar amounts and in a similar direction on any given day.)

The **second caveat** is that mortgage rates were already pretty damn high--at least if your frame of reference is limited to the last 13 years (certainly, if we're thinking about the 80s, 90s, and early 2000s, rates have been quite a bit higher). For reference and perspective, there were only 4 other days with higher rates than today going back to 2009--all of them in the last 6 business days.

The third caveat is a bit of a moving target. It has to do with late day weakness in the bond market. Some mortgage lenders will have already adjusted today's rates in response. Those who didn't will be forced to do so tomorrow morning (assuming bonds hold ground at current levels or weaken further). In other words, if you're seeing unchanged rates today, tomorrow's will be higher unless bonds stage a big comeback overnight and tomorrow morning.

The good news is that the higher rates go, the closer they are to the ceiling. This isn't just some trite platitude. There is an actual point to that observation. True, we can't know exactly where the ceiling will be or how soon we will get there, but we know the bond market is currently pricing in a vast majority of the shift in rate expectations that began months ago. That may not offer much of a benefit as far as today's available rates, but it is **worth some hope** that worst moments of this rate space are behind us.