Late Day Recovery For Mortgage Rates, But Still Higher Today

Last Friday, mortgage rates hit their highest levels since 2009 with the average lender quoting conventional 30yr fixed rates of 5.5%. Things weren't much better this morning as the bond market failed to draw any significant inspiration from the **1.4% contraction** in today's GDP report.

Weaker economic data is typically **good** news for rates because it encourages investors to avoid taking new risks. One of the most basic plays in the risk aversion playbook is to buy bonds and sell stocks, but the opposite happened today. There are a few reasons for this. They range from hidden strength buried in the details of the GDP data to upbeat corporate earnings and technicals pushing stocks higher. Lastly, bonds remain primarily concerned about **inflation**, and the inflation component of the GDP report offered no argument.

Fortunately, bonds were able to stabilize by mid-day and push back in the other direction as stocks leveled off. Mortgage-backed securities (the bonds that most directly affect mortgage rates) did particularly well compared to peers. This allowed most lenders to offer mid-day improvements to the rates initially offered this morning. **Unfortunately**, today's rates remain above yesterday's, even after the gains.

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