Mortgage Rates Started Higher, But Improved After Fed Announcement

Today brought the much-anticipated policy announcement from the Federal Reserve. Many people mistakenly believe that the Fed's present day decisions to hike/cut its policy rate (the "Fed Funds Rate") are important to financial markets, but by the time the Fed pulls those triggers, markets have long since moved on.

In other words, today's 0.50% rate hike from the Fed was as close to a 100% certainty as anything ever is when it concerns the future. The bond market was more interested in the assertion from Fed Chair Powell that the committee isn't even considering raising rates by more than 0.50% at any subsequent meeting. Until then, there was some speculation about 0.75% increments.

In addition to that reassurance, the Fed rolled out its plan to reduce bond holdings, but it did so in a way that suggested the reduction process is finite. In other words, the Fed will indeed shrink its holdings of bonds (i.e. bad for rates, but expected), but it will eventually stop shrinking those holdings (good for bonds and not universally expected to be included in today's statement).

Robert Shamie
Fidelity Residential
https://fidresi.com
P: (732) 686-9999 x101
M: (732) 859-2400

Long story short, the bond market (which dictates rates) came into the day expecting several specific pieces of bad news with 100% certainty. It got exactly what it expected, but it also got a bit of hope that future announcements wouldn't be as bad as they might have been.

Mortgage lenders priced rates very defensively ahead of the Fed with the average lender at a new long-term high for conventional 30yr fixed scenarios. After the Fed, when bonds improved, virtually all mortgage lenders have reversed course and are now back in line with their best rates of the week. Be aware, these rates are still very high compared to almost any other time in more than a decade, but at least they're better than they were over the past few days!