

MORTGAGE RATE WATCH

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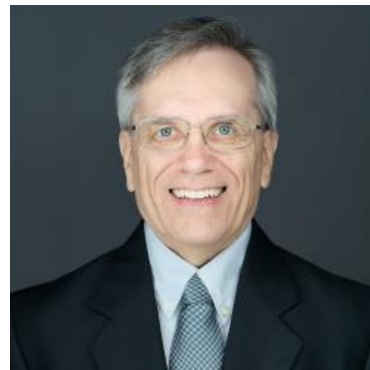
Rates Started Higher, But Recovered by The Afternoon

There has been a lot of volatility in the bond market recently. Because bonds drive interest rate changes, that's meant plenty of volatility in the mortgage market as well. The month of May has been less universally awful compared to March and April, one of the worse 2-month stretches in the modern history of rates. But in transitioning from "awful" to "something else," mortgage lenders are scrambling to set rates at the right levels.

Yesterday saw the bond market swoon all day. By the end of the day, some mortgage lenders had pulled back (i.e. raised rates) by quite a bit. Others waited until this morning. Either way, this morning's rates were distinctly higher than those seen over the past 3 business days.

As the day progressed, an extremely big drop in the stock market sent investors seeking safer havens in the bond market. Excess demand for bonds pushes bond prices higher. When bond prices rise, yields (another word for "rates") fall. By the end of the day, most lenders had re-issued rates at lower levels, more closely aligned with those seen last Friday.

This doesn't change the fact that rates are still in the mid 5% range, depending on the scenario. They're just slightly lower than they were yesterday afternoon or this morning.



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