MORTGAGE RATE WATCH
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Modest Rate Recovery as Bond Market Losing Streak Ends

Mortgage rates are primarily determined by mortgage-specific bonds (MBS, or mortgage-backed securities to be exact). MBS share similarities with the broader bond market where US Treasuries serve as the risk-free benchmark. That means that mortgage rates often move in the same direction as certain Treasury yields.

The 10yr Treasury yield is the most popular benchmark for longer term rates like mortgages. It also provides an easy way to keep track of relative movement from day to day as long as you understand that there are times where the relationship can completely fall apart. Thankfully, now is not one of those times. Reason being, 10yr yields managed to move back below 3.0% today after breaking above that level for the first time in nearly a month yesterday.

That break above 3.0 capped an 8 day losing streak where rates failed to improve for the first 3 days and moved progressively higher for the next 5 days. Today's counterattack isn't much of a consolation by comparison, but it does help the average lender avoid moving any higher in rate. By the afternoon, many lenders were in slightly better territory compared to yesterday afternoon, but the jury remains out as to where we go from here.

In the bigger picture, rates are bouncing around a sideways range after skyrocketing for most of 2022. There's some chance that the upper boundaries of that range end up being a ceiling for rates, but that will depend on inflation and other incoming economic data. With a key inflation report set to release on Friday morning, the potential for volatility remains high.

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