

# MORTGAGE RATE WATCH

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## Highest Mortgage Rates in a Month Despite Afternoon Improvement

Mortgage rates moved higher this morning as the bond market reacted to a new policy announcement from the European Central Bank (ECB). If you're thinking "but that's in Europe and I live in the U.S.," you're not alone. US traders are thinking the same thing to some extent, but there is always some interconnection between U.S. and European bond markets. The latter have been pulling U.S. rates slightly higher (than they otherwise would be) for 2 weeks now.

To put things in perspective, we can look at benchmark 10yr bond yields at home and abroad. These don't equate perfectly to mortgage rates, but they do give a sense of the general momentum in the bond market. European 10yr yields were up around 0.10% today whereas U.S. 10yr yields were up less than 0.02% as of 3pm ET.

Mortgage rates weren't quite as lucky for a few reasons. Many lenders had some more adjustments to make in response to bond market weakness late yesterday. Moreover, the bonds underlying mortgages had a tougher morning than Treasuries, causing many lenders to start their day at significantly higher levels. The average lender was up more than an eighth of a percent versus yesterday, but many lenders gave a portion of that back via price improvements in the afternoon.

Even after those improvements, rates remain noticeably higher than yesterday and "close enough" to the 13-year highs seen in early May.



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