MORTGAGE RATE WATCH
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Mortgage Rates Now at 20-Year Highs

The most recent historical high water market for mortgage rates was "14 years." It was broken so many times in September that we officially declared it to be boring last Tuesday. Now, less than a week later, 14-year highs would be more exciting than boring. As of mid-day today, we're officially at 20 year highs.

Perhaps it should be "unofficial," because our daily rate records only go back to the beginning of 2009. We're relying on weekly survey data for the historic highs and it's entirely possible that there was a day or two in 2008 where rates were higher than today, but we digress. Comparing current rate levels to various points in the past isn't really important.

What's important is that less than a year, the payment on a new $400k mortgage is up at least $1000/month. Many lenders are now quoting top tier 30yr fixed rates over 7%.

Why have rates spiked so quickly? One might assume is has something to do with last week's Fed rate hike. After all, the Fed hiked rates and then mortgage rates went higher, but that's actually not the issue at the moment.

The issue stems from strange goings-on in the realm of fiscal policy in The UK. Yes, that's an odd thing to consider when it comes to mortgage rates in the US, but it's important to understand just how huge the market reaction to recent events in The UK has been. Without going into tedious detail, the best way to convey the drama is by noting that British 10yr yields have risen more than 1.00% in 4 business days.

Contrast that to US 10yr yields which have only jumped by about a third of that. Also consider that "a third" is a smaller than normal correlation for these two markets.

In other words, the market movement overseas is so big that, even with a far diminished echo, it's been enough for another major jump in rates.

Don't expect any emergency help from the Fed either. Multiple Fed speakers were out today reiterating that they're still waiting for evidence that inflation has turned a corner and for evidence that their policies are producing a certain amount of economic pain. Pain is normally bad, but in this case, the Fed views it as evidence of traction in the fight against inflation. In any event, at best, it will take weeks and probably months for economic data to open the door for a softer stance from the Fed.

Bottom line: 7% or close to it is the new 30yr fixed rate reality for now.

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