# Huge Reversal For Mortgage Rates. No Promises of Sustainability


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If you're just getting caught up, mortgage rates broke above 7% yesterday for the first time since 2002.  Read our coverage to learn more about why rate quotes are all over the board: Yes, Mortgage Rates Are Now Over 7%, But It's Complicated.

Today was an entirely different day.  In fact, rates dropped not only back below yesterday's levels, but all the way back to the end of last week (Thursday afternoon-ish, depending on the lender).  This wasn't necessarily the case earlier this morning, but almost every lender adjusted their rate offerings in the middle of the day--in many cases multiple times.

Mortgage rates are based on bonds.  When bonds rally enough, mortgage lenders issue these "mid-day reprices."

Why were bonds so happy?  Happy isn't the right word for it.  "Relieved" would be more appropriate.  A fiscal policy announcement in the UK is at the heart of all of the drama over the past few days, and while that has not been retracted or changed, a MONETARY policy decision in the UK helped to sooth financial markets early this morning.

In short, the British government said things that spooked investors in a major way.  Then the British central bank announced an emergency bond buying operation to un-spook them.  British 10yr yields fell more than half a point in 40 minutes.  US bonds followed gingerly by comparison, just as they followed on the way up (US bond market movement has been less than half as abrupt as that of the UK).

All of the gains in the bond market translated fairly well to mortgage-backed bonds, with the average lender ultimately able to get back down well into the 6's.  For those wondering if all of the "bad stuff" is done, there's no way to know. What we do know is that nothing about today's Bank of England announcement guarantees a sustainable reversal in and of itself.

There's still reason to be cautious about what lies ahead for rates.  It will take additional motivation and especially downbeat economic data (including tamer inflation) for rates to be reliably moving lower in the bigger picture.  That said, any time a major central bank dumps a bunch of cash into the bond market unexpectedly, good things tend to happen for rates.  So if other central banks do the same at some point in the near future, then we wouldn't need to wait for downbeat data.