Mortgage Rates Fall Yet Again. How Long Can This Last?

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Yesterday, we noted that the 2nd consecutive day of improvement for mortgage rates was a rare accomplishment in the context of the past few months. Now today, the winning streak is extended to 3 days making it a bit of unicorn and begging the question: are things changing?

In some ways, things are changing. We're witnessing a bond market that is starting to question whether or not rates have already done enough to prepare for the likely path of the Fed Funds Rate in the future. To be clear, the Fed Funds Rate doesn't directly dictate mortgage rates, but the expectations for Fed hikes correlate closely with longer-term rates.

In other words, since last Friday, traders/analysts/pundits/etc are increasingly wondering if the Fed will do something to signal a leveling-off in the pace of monetary policy tightening (aka the stuff that pushes rates higher, among other things) at next week's Fed meeting. That wondering is expressed in the form of bond market resilience which, in turn, puts downward pressure on rates.

Be aware that much of the room for improvement in rates comes courtesy of all of the damage done so far. 3 short days ago, mortgage rates were easily up to new 20 year highs and they haven't fallen very far from those levels just yet. The current rally is better viewed as the market's way of **consolidating** ahead of more relevant information as opposed to reversing course and heading blindly lower until further notice. The relevant info will mostly arrive next week in the form of economic data and the Fed announcement, but there is a smattering of lower-importance events during the second half of this week.

Bottom line: bigger moves are on hold. Additional gains are far from guaranteed. Everything continues to depend on data. The last 3 days represent a balancing of what had previously been a panicked outlook.