Mortgage Rates Hold Their Ground Despite Bond Market Volatility

Mortgage rates are directly linked to trading levels in the bond market. When bonds have a bad day, rates tend to rise. While that was true for the rates associated with US Treasuries (aka "yields," officially), the mortgage market held its ground more effectively.

Part of the outperformance is surely due to mortgage lenders employing more conservative pricing strategies last Friday. But even then, mortgage-specific bonds outperformed Treasuries as well. This has to do with Treasuries facing a few more hurdles this week. Said hurdles are associated with various forms of "supply" where higher supply means lower prices and lower prices mean higher yields/rates all other things being equal.

That's a bit esoteric for our purposes, so suffice it to say mortgage-backed bonds had a better day than other bonds, and mortgage lenders had a bit of room to improve regardless of the bond market. Those factors allowed the average lender to offer just slightly lower rates versus last Friday, but the improvement is small enough that the average borrower would only see it in the form of lower upfront costs.

Despite today's modest victory, stakes remain exceptionally high by the end of the week. The Consumer Price Index (CPI) comes out on Thursday and no other report has had as much power to cause volatility for rates in 2022.

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