Drama and Excitement Remain on Vacation in The Mortgage Rate World

Rates are driven by bonds and mortgage rates are driven by mortgage-backed bonds. These bonds trade in the open market all day every day. Mortgage lenders set their rates based on the movement in those bonds.

Thanksgiving week tends to sap a significant amount of participation from the bond market. It's not that things aren't moving. They just aren't moving like normal. Price movements can be more random and there can be more misdirection plays where it looks like things are heading quickly in one direction only for things to reverse moments later (and then again moments after that, and so on...).

Lenders also know that an extended weekend lies ahead for the rate environment. Weekends always bring in some small amount of defensiveness (i.e. setting rates a bit higher than they otherwise might just in case something happens over the weekend). 4 day weekends suggest twice as much defensiveness.

All that to say that the mortgage rate creation process is about as slow and quiet as it gets at any time of year apart from the end of December. It also means that mortgage rates may not always move in the direction implied by bonds. For instance, today's bond market movement suggested slightly lower rates. Instead, the average lender was slightly higher.

Expect things to get back closer to normal next week, but for the market to continue to wait until December 13th and 14th for the biggest moves. That's when we get the next major inflation report and the Fed announcement, respectively.

The average 30yr fixed rate remains in the mid 6's for top tier scenarios, and it hasn't moved much at all since the last major inflation report from November 10th.

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