

## Mortgage Rates Not Nearly as Low as They Might be Tomorrow

Mortgage rates moved slightly lower today, but barring a major market reversal overnight, could be even lower tomorrow. It's fairly rare to be able to say such things when it comes to mortgage rates, but the reasons are fairly logical in this case.

Rates are based on movement in the bond market. Mortgage lenders don't like to change rates any more than they have to on any given day. If the market moves in a big way right at the end of the day, many lenders will simply wait until the following morning to update their rates.

Spoiler alert: bonds moved in a fairly big way right at the end of the trading day today! The first phase of the move was already underway in response to a speech from Fed Chair Powell who confirmed a likely slowdown in the pace of Fed rate hikes in coming meetings. Powell also commented on the possibility that inflation would be showing a long-awaited shift in the coming months.

Beyond that, it is the last day of the month and that creates more urgent trading needs. Some traders may have been waiting to buy bonds (which helps rates move lower, all other things being equal) until they heard what Powell had to say. Others were obviously waiting until the last minute.

By the end of the day, bonds had put in their best performance since the epic rally on November 10th (in response to the cooler inflation data via the CPI report).

Many mortgage lenders made friendly adjustments to rates mid-afternoon, but as of right now, only a few have responded to the second wave of gains. Those who don't are likely to respond in tomorrow morning's initial rate offerings. Lenders who already responded may also feel even better if this afternoon's bond market strength is confirmed with steady overnight trading.

Long story short, it was a very good afternoon for the bond market, and is either already helping mortgage rates or will help them tomorrow (barring a major market reversal, which isn't necessarily likely, but always a possibility to entertain).



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