

## Mortgage Rates Drop Sharply, Hitting Lowest Levels Since Mid-September

Mortgage rates had been in a holding pattern for nearly 3 weeks following the November 10th CPI inflation data. On that single day, the average 30yr fixed rate fell by a record amount (as far as day-over-day record keeping is concerned, and we don't have daily records prior to 2009). That took rates from the low 7s to the mid 6's in a matter of hours and there they've stayed until this morning.

The timing of today's improvement depends on the lender in question to some extent. Several lenders offered fairly aggressive improvements yesterday. This was in response to a well-received speech from Fed Chair Powell and stronger than expected bond buying as a part of the month-end trading process (bond buying is good for rates, all other things being equal). Those friendly events happened late enough in the day that the average lender wasn't able to adjust their rates accordingly until this morning.

All that needed to happen was for the bond market to hold relatively steady overnight. It did. The result is easily the best day of improvement since November 10th, and one of the better days of 2022. The average borrower would be seeing rates that are 0.25% lower versus yesterday morning at the average lender (i.e. 6.5% is now 6.25%).

Friday brings the important Employment Situation (the official jobs report from the Department of Labor). The Fed is primarily focused on inflation, but labor market data is a not-too-distant second. If job creation comes in weaker--especially if wage growth decreases--the Fed will increasingly conclude it has less room to be aggressive in its fight against inflation without doing serious damage to the economy. All other things being equal, that would make for another good day for rates.

Of course the opposite is also possible (i.e. if job growth surprises to the upside and wages accelerate, rates could bounce back up a bit). The data will be released at 8:30am, which is before mortgage lenders release their rates for the day.



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