

MORTGAGE RATE WATCH

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Mortgage Rates Hold Near Multi Month Lows; Potential Volatility Ahead

Mortgage rates put in a solid performance so far this week with substantial declines to the lowest levels in months as of yesterday afternoon. Thursday was a bit different as the underlying bond market began to shift gears ahead of Friday's important jobs report.

Officially known as "The Employment Situation," the jobs report is the single most important piece of scheduled economic data for interest rates on any given month. During times of higher inflation, it can share the crown with the Consumer Price Index (CPI), but that typically just means we have two really important reports in close proximity (CPI is next Tuesday) rather than one dominating the other.

Very simply put, if these two reports send a similar message to the data already out this week, it will coax rates to even lower levels--possibly breaking the average 30yr fixed rate into the high 5% range for flawless scenarios.

NOTE: that is not at all a prediction, but merely one of the "if/thens." Things can go the other way just as easily. In other words, if the jobs report is stronger than expected and inflation is higher (CPI measures inflation), rates would almost certainly bounce at the current lows and head back up toward 7%.

How close to 7% would depend on how strong the data was. We'll cross that bridge if we come to it. For now, the only high probability bet is to say that volatility is a bigger risk tomorrow and Tuesday.



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