

## Mortgage Rates Suddenly Near 1-Month Highs

After bottoming out at the lowest levels in months in the first week of April, mortgage rates have been rising fairly quickly. As of this afternoon, you'd have to go back nearly a month to see a higher 30yr fixed rate from the average lender.

In the slightly bigger picture, this leaves us slightly higher than the middle of 2023's range marked by lows near 6% in early February and highs just over 7% in early March. Those levels can be thought of as opposing sides in a battle to determine the next major trend in the interest rate world.

Actually, it's more fair to say that mortgage rates are spectators in that battle. The actual combatants include inflation, economic data, and any potential fallout from recent banking turmoil. The relative health and apparent stability of the banking sector is one of the reason that rates have been moving back up.

Economic data has also been surprisingly resilient at times and that's been a surprise to some market watchers who thought the bank failures in early March marked a shift. Just today, a report on the manufacturing sector in the NY Federal Reserve District came in much higher than expected and much higher than last month.

Stronger data coincides with upward pressure on interest rates, all other things being equal. It's not that this particular report tends to cause a ton of movement for rates, but rather, ongoing resilience in the average economic report is simply convincing the market that the Fed will be able to hike rates at its next meeting. The probability is now roughly 100% whereas it was closer to 0% a few short weeks ago.

The Fed Funds Rate doesn't directly dictate mortgage rates, but changes in Fed rate hike expectations tend to correlate very well with the rest of the interest rate market.



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