

MORTGAGE RATE WATCH

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Mortgage Rates Rise Again as Markets Brace For Inflation

Interest rates are determined by the price/yield of bonds. Bonds can take cues from several places, but inflation always matters. Inflation had been subdued for roughly a decade before exploding in the post-pandemic era. A series of aggressive rate hikes from the Fed haven't definitively solved the problem yet, but they may be helping.

We're currently in limbo waiting for the data to confirm that inflation has turned a corner. As such, the market is sensitive to every little update on the topic and today brought a modestly significant one.

Buried in today's GDP data was a number that suggested tomorrow's inflation-specific data (Personal Consumption Expenditures) might come in a bit higher than expected. Bonds lost ground in response (where "losing ground" means lower bond prices and higher bond yields/rates). All that to say mortgage rates moved higher today in response to inflation data.

Inflation aside, it was also a calmer day for bank drama. Back on Monday, banking concerns helped rates begin the week in stronger territory. First Republic Bank was in the news yesterday with some back and forth impacts on the bond market. Now today, despite early rumors of First Republic Bank failing, the stock price was stable and the broader banking sector made solid gains. This also contributed to upward pressure on rates today.



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