

MORTGAGE RATE WATCH

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Mortgage Rates Jump After First Republic Sale

Whether we call it a bailout, a failure, or a fire sale, First Republic Bank was formally absorbed by JP Morgan Chase early this morning. Interest rates moved higher in response, and that may be counterintuitive for those who know a thing or two about what motivates rates.

In general, something like a bank failure would be good for rates because it should push investors to seek safer havens. Bonds are one such haven and bond yields (aka rates) move lower when more investors want to buy them. So why didn't that dynamic play out this time around?

When it came to First Republic, investors already knew there was no saving it. That became abundantly clear by Tuesday of last week and that's one of the reasons rates moved lower at THAT time.

There are different levels of "failure" and the resolution that arrived today is one of the more palatable versions. In other words, things didn't end as poorly as they might have, so investors were able to lighten up on the bonds that were previously purchased as a safe haven.

That was how the day began for rates, but it got worse after a key economic report on the manufacturing sector came in stronger than expected. In general, strong economic data puts upward pressure on rates.

The average lender moved at least an eighth of a percent higher for a conventional 30yr fixed.



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