

# MORTGAGE RATE WATCH

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## Mortgage Rates Fully Erase Monday's Surge

Mortgage rates began the week with a moderately big jump to what were essentially the highest levels in more than a month. Less than 24 hours later and the average lender is back to last Friday's levels. What's up with that?

Investors drive mortgage rate movement via the buying and selling of bonds. More buying = lower rates. More selling = higher rates. Investors sold bonds yesterday after First Republic Bank was absorbed by JP Morgan in process that was about as orderly as it could have been.

But rather than rest easy on the assumption that First Republic was the last of the troubled banks, financial markets attacked the stock prices of several other banks this morning, ultimately forcing a halt to trading for several of them.

Banking sector concerns lead investors to buy more bonds. That was a driving force behind today's improvement. Additional support came from slightly softer labor market data. All of the above had some traders revising their expectations for the Fed's rate hike outlook--especially timely considering there was an almost unanimous consensus for a 0.25% hike tomorrow afternoon.

Between the Fed's rate hike decision and the economic data in the morning, it's safest to plan for ongoing rate volatility. For now, the average lender is back in the middle 6% range whereas it was closer to 6.75% yesterday for a top tier 30yr fixed rate.



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