

# MORTGAGE RATE WATCH

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## Mortgage Rates Quickly Down to 2-Week Lows

After hitting the highest levels in several months last Friday, mortgage rates have fallen fairly quickly in the new week. As bond markets improved this afternoon, many lenders were able to make mid-day adjustments. That brought the average top tier 30yr fixed rate down to the lowest levels since Thursday, May 18th (not QUITE 2 weeks, but close enough!).

The credit for the rate reversal is multifaceted. The move began in Europe where friendly inflation data added to an even sharper drop in rates. As is often the case, European rate momentum has an effect on US rate momentum.

Traders are also feeling more confident about re-entering the market for US Treasuries--the foundation of interest rates in the US--as the debt ceiling debate progresses.

If there's one important takeaway, however, it's that the next big move for rates remains up for debate. Upcoming economic reports will set the tone for the Fed meeting in 2 weeks. Several Fed officials commented that they were thinking about "skipping" a rate hike at the upcoming meeting. Others have recently said they would like to hike again. Both sides of the debate may change their minds by June 14th, depending on the data.

The Fed doesn't directly set mortgage rates, but when a Fed rate hike is hotly debated, the Fed's decision can have a bigger impact than normal. Moreover, the market will be trying to adjust to what it perceives as the Fed's likely course of action based on the outcome of economic reports between now and then. The only surefire bet is for more volatility. It has just happened to be friendly volatility so far this week.



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