MORTGAGE RATE WATCH
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Mortgage Rates Recover Slightly

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Mortgage rates haven't had a great week so far. Monday's bank holiday meant that mortgage lenders had to account for an extra day of movement in the bond market (rates are based on bonds). That movement happened to be toward higher rates.

From there, both Tuesday and Wednesday were bad days for a variety of reasons. One of the reasons was familiar: economic data was strong on Wednesday and there was a clear correlation between the release of that data and the bond market weakness.

The other reason is more esoteric: the corporate bond market. This refers to bonds issued by corporations to finance operations as opposed to US Treasuries (issued by the government) or mortgage-backed securities (MBS) issued by mortgage lenders to make room on their balance sheets for new business.

There's a certain degree of supplementary competition among bonds. In other words, if more corporate bonds are available, investors may buy those instead of MBS/Treasuries, thus putting upward pressure on mortgage rates. There are also some behind-the-scenes considerations that are even more esoteric but suffice it to say, they cause short term volatility in the rate sector, even though a portion of that volatility is often reversed in a matter of days.

All that to say: the extra oomph behind the upward rate momentum at the start of the week is at least partly attributable to the glut of corporate bonds. There were far fewer today and the bond market seemed to breathe a little sigh of relief. Granted, that didn't amount to much in the bigger picture, but it at least helped the average mortgage lender avoid getting too close to the decades-long highs seen at the end of August.