MORTGAGE RATE WATCH
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Reasons For Fear and Hope as Mortgage Rates Tick Modestly Higher

In and of itself, today wasn't too bad for mortgage rates. Things got a bit worse, but the change from yesterday was average or slightly lower.   There's even still a little bit of a cushion between current levels and the long-term highs seen in late August.

Mortgage rates are often compared to 10yr Treasury yields because the two tend to move in very similar fashion. The assessment of the 10yr is a bit less optimistic. Yields ended the day at their 2nd highest closing level since 2007 and repeatedly pushed up against the 4.34% level during the day.

4.34% is the first highest closing level since 2007. It happened a few weeks ago and it serves as something the market refers to as a "technical level" (other names include: key level, pivot point, inflection point, or simply "ceiling").

A technical level can be a ceiling if it acts like a ceiling, but it can be an inflection point if it is subsequently broken. We may find out exactly what sort of technical level 4.34% will prove to be next week after the Fed announcement.

10yr Treasury yields do not directly dictate mortgage rates, but if 10s are breaking quickly higher from the 4.34% ceiling, it could create upward momentum for all related rates, with mortgages being one of the most related. That's the fearful scenario. If 4.34% is reinforced as a ceiling and yields shoot lower, mortgage rates would likely be doing the same.

Despite the volatility surrounding next week, the Fed can only tell the market how it will react to certain developments in the economy. It is the ongoing revelation of those developments themselves that will ultimately determine the long-term rate trend.

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