MORTGAGE RATE WATCH

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Mortgage Rates Jump up to 23-Year Highs

Rates moved only moderately higher on Wednesday after the Fed rocked the bond market with its updated rate forecasts. To reiterate yesterday's analysis, it's not that the market is expecting the Fed to be accurate in those forecasts. Rather, the forecasts help investors understand how the Fed's approach will be calibrated going forward.

In simpler terms, the Fed doesn't think rates are too high right now. If anything, they might need to go higher. Moreover, they won't go lower until economic data really starts to deteriorate in a compelling way.

Unfortunately, this morning's most relevant economic report didn't deteriorate at all (weekly jobless claims were 201k versus a median forecast of 225k). Actually, it's fortunate for the economy, but unfortunate for interest rates.

Between the data and the overnight momentum in overseas markets, bonds are at their weakest levels in years. Mortgage-backed securities (the bonds that dictate mortgage rates) didn't swoon quite as much as Treasuries, but as of today, it was just enough to push the average mortgage lender almost perfectly back in line with the highest 30yr fixed rate of the past 23 years.

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