Fairly Huge Improvement in Rates Followed by Some Deterioration

It depends quite a bit on the lender in question, but at some point between yesterday morning and this morning, the average lender dropped rates at the fastest single-day pace in months. Before you get excited, there's a catch--two or three of them actually.

The first catch is that some lenders split that improvement between yesterday afternoon and this morning. The more general catch is that these sorts of "biggest drop in a long time" observations are almost always seen after rates have just surged to "the highest levels in a long time." That's absolutely the case this time around.

The third catch isn't too important. It involves a bit of deterioration in the bond market resulting in some lenders bumping rates slightly higher this afternoon. The average lender is still in much better shape than yesterday morning (and much worse shape than most any other morning going back to June 2001).

Moving on from "catches" to plain old frustrating uncertainty, mortgage rates need new economic data in order to improve. Specifically, rates would need to see less resilience and growth in the economy. Frustratingly, the government shutdown (which looks likely if not certain as of this writing) would prevent several of the most important reports from coming out next week.

Granted, if those reports had come out strong, they would push rates higher, but as it stands, we don't even have an opportunity for meaningful improvement.

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