

MORTGAGE RATE WATCH

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Mortgage Rates Jump to Highest Levels in More Than a Month

Rates have been gradually rising across the board in the past few weeks and mortgage rates are no exception. Yesterday, it was the market responding negatively to comments from Fed's Waller. Today it was a negative response to positive economic data.

The whole notion of "bad is good" is an ever-present paradox for fans of low rates. Rates are based on bonds and bonds do better when the economy is slow and inflation is low.

Today's Retail Sales report showed stronger consumer spending in December (even after adjusting for holiday spending and inflation). More spending runs the risk of creating more inflation, or at least of preventing further declines in inflation. Because inflation is the main reason that rates are as high as they are, a negative reaction in the bond market was the logical outcome.

The jump in mortgage rates over the past two days has been a bit bigger than other recent increases. It takes the average lender back into territory best described as "high 6's" for a top tier conventional 30yr fixed rate. It doesn't necessarily mean the bad times will continue, but the market does look to be circling the wagons in this territory and considering whether the recent optimism for lower rates possible got a bit ahead of itself.



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