

MORTGAGE RATE WATCH

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Nice Calm Day For Rates, But Volatility Potential Increases From Here

Mortgage rates are in the midst of a bit of a winning streak, but it's about as small and as neutral as winning streaks get. Today was the third day in a row where the top tier, conventional 30yr fixed rate was at least as good as the previous business day. The catch is that there's not much difference between today's rates and the recent peak from 4 days ago.

There's been a lot of momentum behind the notion that rates will continue to fall in early 2024 after dropping sharply in late 2023. Instead, we've seen a classic, subdued correction off the longer-term lows from mid December. The size and timing of the correction make great sense considering the size and timing of the big drop that preceded it.

From here, the next thing that makes great sense is for rates to follow the guidance of the incoming economic data first and foremost. Comments from the Federal Reserve will be a supporting actor until the March Fed meeting.

In other words, we have a Fed meeting coming up in 2 days and we DON'T expect there to be any major fireworks. This week's only pyrotechnic potential comes in the form of several key economic reports in addition to the Treasury department's update on its borrowing needs.

Treasury borrowing affects mortgage rates indirectly because it directly impacts the "supply" side of the supply/demand equation. If Treasury doesn't need to borrow as much, Treasury yields fall. Lower Treasury yields correlate with lower mortgage rates, all other things being equal.

As for economic data, today was the only empty day of the week. Each additional day brings at least one major report with Friday's jobs report being the biggest potential source of volatility for rates.



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