Rates Drop Significantly on Fed Day, But Not Because of The Fed

This is a challenging day to attempt to understand the relationship between events and rate movement. At the most superficial level, rates are much lower and it was a Fed day. Because Fed days often cause big rate movement, it's logical to assume that rates are lower because the Fed "did something."

We already know the Fed didn't cut rates today and that a Fed rate cut/hike is never an indication of 30yr fixed mortgage rates changing on the same day. But we also know mortgage rates can react to other things the Fed says in the statement or press conference.

Even then, the Fed only caused some sideways volatility in the underlying bond market this afternoon. Mortgage rates were already noticeably lower before the Fed, largely due to timing of yesterday's bond market improvement in conjunction with more bond market improvement this morning. The latter is attributable to economic data and headlines regarding banking troubles for NY Community Bancorp.

There is even some bond market improvement in the afternoon (attributable to esoteric non-Fed-related events that have to do with month-end bookkeeping) that has yet to be reflected on many lenders' rate sheets.

All of the above adds up to a very good day for rates with the average lender dropping in a noticeable way for the first time in weeks. Additional gains will depend on the incoming economic data or, as we were reminded today, unscheduled events that cause concern in the market.

Scott Green
Home Loan Consultant, Monument Mortgage Group
P: (602) 971-0544 x1
M: (602) 577-8311
scott@scotthelps.com
21501 N. 78th Ave #100
Phoenix AZ 85382
Company NMLS #2512600
Individual NMLS #155901

David Rickey
Home Loan Consultant, Monument Mortgage Group
www.azmonument.com
P: (602) 971-0544 x2
david@azmonument.com
21501 N. 78th Ave
Peoria AZ 85382
Company NMLS # 2512600
Individual NMLS #1493357