

# MORTGAGE RATE WATCH

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## Mortgage Rates Launched Back Over 7% by Strong Economic Data

Last Friday was the worst day for mortgage rates in over a year in terms of day-over-day movement (October 19th, 2023 remains the worst day in decades in terms of outright levels with 30yr fixed rates over 8%).

Monday added insult to injury with another sharp increase that took the average top tier conventional 30yr fixed rate back over 7% for the first time since December 12th.

In both cases, the most relevant catalyst was an upbeat economic report. We already know that it was the big jobs report that did the damage on Friday. Today's rate rout came courtesy of the ISM Non-Manufacturing PMI (aka ISM Services). While it's lesser-known than the jobs report, ISM Services is one of only a handful of other reports worthy of sharing the stage as a supporting actor. When it comes in much higher or lower than expected, rates almost always react.

Rates are more sensitive than normal to economic surprises at the moment and they're on veritable high alert after last Friday. Today's ISM data was only moderately stronger than expected at the headline level, but some components of the report (employment and prices) were much higher than last time.

After the data, the bond market (which dictates rates) immediately moved to the weakest levels of the day. Weaker trading levels in the bond market prompted mortgage lenders to set their rates much higher today versus Friday afternoon. In these two business days, the average lender is more than 0.40% higher in terms of top tier 30yr fixed rates versus Thursday afternoon.



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