

## Mortgage Rates Sharply Higher to Start The Month

March ended with a streak of some of the flattest day-over-day changes in mortgage rates on record. It was all but certain that the new week/month would bring a change to that sideways trend, but the reality has immediate and abrupt.

Right at the start of domestic trading hours, bonds began to lose ground. This means that traders were selling and yields were rising. Higher yields in bonds equate with higher mortgage rates, all other things being equal.

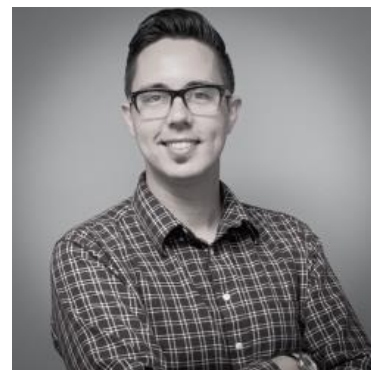
Frustratingly, there were no obvious explanations for the initial push toward higher rates this morning. Some market watchers may have pointed to inflation data that came out last Friday when the market was closed, but if that was the motivation, it wasn't obvious to the billions of dollars in trading that had taken place before yields began to rise.

What we **can** confirm is that this morning's economic data made things worse for rates. Both S&P and ISM released their manufacturing indices for March. Both were higher than expected and both mentioned higher prices.

Prices are critical at the moment because inflation is keeping rates elevated. If inflation refuses to resume the downward trajectory that was in place through the end of 2023, rates won't have a compelling reason to rally.

The net effect of this morning's bond market rout was an increase of more than an eighth of a percent for the average mortgage lender on top tier 30yr fixed loans.

From here, the market will be tuned into other important economic releases set for the coming days. Friday's jobs report is the most significant among these.



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