

MORTGAGE RATE WATCH

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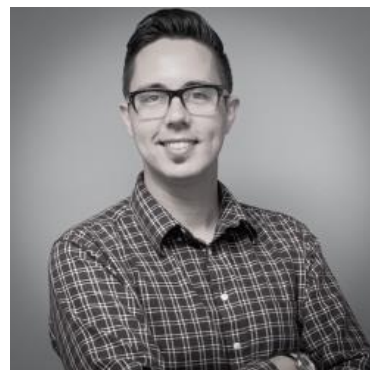
Nice Move Lower in Mortgage Rates Ahead, But Tomorrow is a New Day

Mortgage rates may have been able to claim some resilience over the past few days, but it hasn't been a great week in general. The average lender jumped quickly over 7% for a top tier conventional 30yr fixed rate on Monday. The next two days were much less interesting.

Now today, the not-so-great week is showing some signs of promise. Without much by way of provocation or justification, rates dipped just a hair under 7%. The nuts and bolts explanation is that the bond market improved this morning following a somewhat weaker reading in Jobless Claims, but other factors relating to timing and recently defensive pricing strategies among lenders help flesh out the story.

More importantly, everything that has happened up until today is of secondary importance to what's about to happen when it comes to interest rate volatility, or at least to the POTENTIAL for volatility. That's because tomorrow morning brings the Employment Situation, otherwise known as "the jobs report." Along with the Consumer Price Index (CPI), this is one of two reports with vastly more power to cause drama for rates than any other report.

The jobs report will be released at 8:30am tomorrow morning. There is no way to know if it will be good or bad for rates ahead of time--only that it can do either of those things in grand fashion. That said, it occasionally threads the needle without much fanfare. If that were to happen, it would place even more focus on the next CPI report which happens to be coming out next week.



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