

MORTGAGE RATE WATCH

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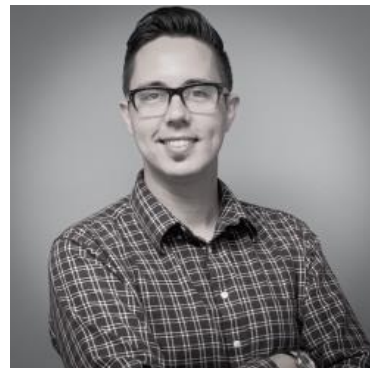
Mortgage Rates Near Highest Levels Since February

Mortgage rates moved up somewhat abruptly today as the bond market lost more ground over the weekend. Rates are driven primarily by bonds, but mortgage lenders tend to only update rates once per day unless the bond market is moving very quickly.

With that in mind, bonds were losing ground on Friday afternoon, but not quickly enough or early enough for a majority of lenders to adjust pricing. As such, lenders already had some catching up to do regardless of today's bond market weakness. The combination of the two factors (the "catch-up" and the new weakness) caused today's spike to be bigger than average.

That said, there weren't any compelling news headlines or economic reports driving the weakness. It would be better thought of as a hangover from Friday's jobs report.

As the week progresses, there will certainly be at least one major economic report with a proven track record of causing big reactions in rates: the Consumer Price Index (CPI) on Wednesday morning. With the average lender already near the highest levels since February, a bad reaction to CPI could easily launch rates back to levels not seen since November. On the other hand, if CPI manages to come in much lower than expected, rates would almost certainly drop.



Mike Hardy

Mortgage Advisor, Fairview
Mortgage Capital, Inc.

mortgagemike562.com

M: (562) 370-0544

29000 S. Western Ave.
Rancho Palos Verdes CA 90275
NMLS #1175689
DRE #01326046

