

Decent Recovery For Mortgage Rates, But Huge Volatility Potential Ahead

Mortgage rates roughly matched their highest levels in months yesterday, but managed to turn things around today. One could argue that the broader bond market (which dictates rates) began to turn things yesterday morning and that the only reason rates moved higher was the overnight bond market movement.

So today was either a new recovery or a continuation of yesterday's recovery, but none of that matters now. Wherever we may be this afternoon, we may be somewhere completely different tomorrow afternoon. While that's true every day the market is open, it's a much bigger version of true today.

Why?

Tomorrow morning marks the release of the Consumer Price Index (CPI). Of all the monthly economic reports, this one has the most potential to cause volatility for rates.

Is volatility bad or good?

It's important to understand that volatility is a two way street. A very low reading on CPI would likely push rates much lower while a very high reading would do the opposite. Additionally, it is also possible for the data to thread the needle and leave rates roughly unchanged, but the point is that the range of potential outcomes is much wider than normal.



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