

# MORTGAGE RATE WATCH

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## Mortgage Rates Barely Budge For 3rd Straight Day, But That Should Change Tomorrow

Today's mortgage rates were fairly close to yesterday's at the average lender for the 3rd business day in a row. Friday was the last day with any substantial movement when rates spiked following the upbeat jobs report. Since then, the average lender has only moved by 0.01% on each of the past 2 days.

The absence of movement made better sense yesterday. Rates are based on trading levels in the bond market and bonds ended the day very close to Friday's levels. It's a bit harder to reconcile today given that bonds did quite well--especially after the auction of 10yr Treasury notes at 1pm Eastern time.

Mortgage rates are often discussed against a benchmark of a 10yr Treasury yield. The two tend to move in the same direction by generally similar amounts. 10yr Treasury yields are 0.07% lower today and the average mortgage rate is only 0.01% lower at the time of this writing. What's up with that?

First off, Treasuries tend to see bigger upsides and downsides when bonds are reacting to a Treasury auction. Timing is also a factor with the auction happening late in the day. Several mortgage lenders have already revised their initial rates lower in response, but the improvements won't be captured in our rate index until tomorrow.

That brings us to another issue: tomorrow is a potentially crazy day for better or worse. Well before mortgage lenders publish rates for the day, the Consumer Price Index (CPI) will be released for the month of May. It has more power than any other economic report to push rates higher or lower, depending on the outcome. Anticipation of that volatility could also have mortgage lenders feeling less like making any last minute changes.

In addition to CPI, tomorrow also brings the latest Fed announcement. The Fed will neither cut nor hike rates, but they'll update their outlook for the rest of the year (and the coming years). CPI is the most important event of the day, to be sure, but the Fed's interpretation of the data could either accelerate or push back against whatever the morning momentum proves to be. Either way, volatility is much more likely than it has been so far this week.

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