Mortgage Rate Watch
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Mortgage Rates Move Slightly Lower After Retail Sales Report

Mortgage rates began the week with a modest move back up and over the 7% threshold, but managed to erase some of those losses today. The improvement followed this morning's Retail Sales data which came out weaker than expected.

Mortgage rates are based on trading levels in the bond market. Bonds pay attention to multiple cues at any given time. Major economic reports are always among those cues as the health of the economy tends to coincide with rates (i.e. stronger = higher).

Retail Sales isn't as big of a report as the Consumer Price Index (CPI) or The Employment Situation (the jobs report), but it's a respectable supporting act. Sales growth was surprisingly high in the data that came out in March and April. May's report showed a correction back to 0.0% growth.

Today's report came in just barely positive at 0.1--a far cry from the 0.6 level 2 months ago and below the median forecast of 0.2. In addition, it included a revision to May's report from 0.0 to -0.2. All told, it painted a less upbeat picture for the American consumer compared to a few months ago.

A slower economy is less able to sustain higher interest rates for a variety of reasons--not the least of which being the suggestion of slower price growth. With that, bond traders bought more bonds, thus pushing bond prices higher and yields (aka "rates") lower.

Tomorrow is a market closure for the Juneteenth holiday. Trading resumes on Thursday but we'll be waiting until the end of next week for the next round of big ticket economic data.

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