

MORTGAGE RATE WATCH

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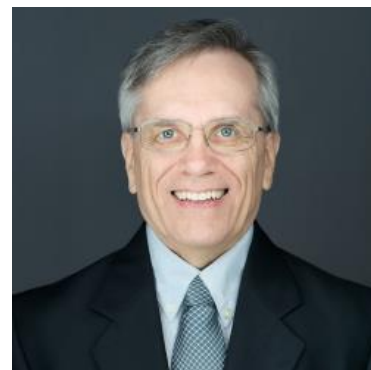
Mortgage Rates Move Up To 2 Week Highs After Starting Out Flat

Mortgage rates technically moved up to the highest levels in 2 weeks today, but that sounds a bit more dramatic than it actually is. Rates have largely held inside a narrow range close to the lowest levels in 6 months during that time. Today's weakness in the bond market just happened to nudge the average mortgage lender slightly above the highs seen this past Monday and Friday. The average borrower wouldn't see much of a difference between those rates and today's.

As for the underlying motivation for the movement, it doesn't merit much discussion or investigation. After all, we just made the case that recent movements are all just different flavors of "flat." Still, we like to get to the bottom of things every day, even when some days are more important than others.

In not so many words, the broader bond market is in the process of adjusting to a new reality in which the Fed begins to cut the Fed Funds Rate. Ironically, there are times when this will mean that longer term rates like 10yr Treasury yields and mortgage rates will move higher at the same time that shorter term rates (like 2yr Treasuries) are moving lower. This was a factor today as 2yr Treasuries improved more than twice as much as 10yr Treasuries deteriorated.

The coming days are more likely to see bonds/rates reconnect with economic data as a primary motivation. There are several important reports on Thursday and Friday morning, but the data's significance will kick into even higher gear in the following two weeks.



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