

MORTGAGE RATE WATCH

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Mortgage Rates Inch to Another Short Term High

Mortgage rates continue moving in very small steps from day to day--something that's been the case since the Consumer Price Index (CPI) more than 2 weeks ago. Unfortunately, more of those steps have been higher in the past week, and today is no exception for most lenders.

This is counterintuitive to those who closely follow bonds markets and who understand that mortgage rate movement closely matches those underlying market movements. Reason being: bonds are technically in stronger territory compared to yesterday.

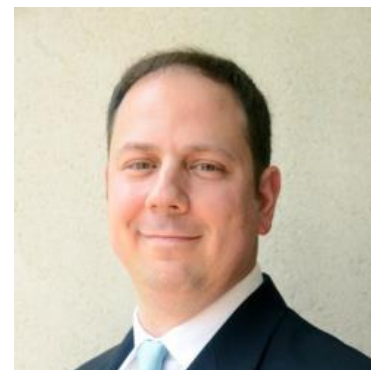
Strength in the bond market almost always coincides with lower mortgage rates, but the timing of that strength can cause some inconsistencies. For instance, bonds swooned yesterday afternoon and not every mortgage lender saw fit to raise rates in the middle of the business day in response. Those lenders consequently had to adjust for both yesterday's weakness and today's strength in their latest rate offerings.

Lenders who issued late day reprices yesterday were able to hold steady this morning or even offer slightly lower rates today.

If all of that is a bit confusing, just consider that, despite several ups and downs over the past 48 hours, bonds are in weaker territory than they were yesterday morning during the time when lenders publish rate sheets. Lenders either took their lumps yesterday afternoon or this morning.

As for motivations, the market is rapidly adjusting its preferences for different durations of bonds. In other words, 2yr Treasury notes gained a ton of popularity over the past few days and even more since late June. This is mostly a factor of the shift in the outlook for the Fed Funds Rate. When traders make these adjustments, it can impact the bonds that more readily translate to mortgage rates.

Economic data still matters and it will continue to matter when it comes to the most important reports. Several reasonably important numbers came out this morning, but they generally suggested a bit of upward pressure on rates. Tomorrow's data is just as important. It could send rates moving in either direction depending on the results.



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