MORTGAGE RATE WATCH

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Mortgage Rates Move Higher Again, But at a Much Gentler Pace

Yesterday saw one of the largest single day mortgage rate increases in years, although there were more than a few caveats. We discussed those in greater detail in yesterday's update. Rather than attempt to condense and already-condensed explanation of esoteric market plumbing, here's the link in case you missed it: https://www.mortgagenewsdaily.com/markets/mortgage-rates-08062024

Today was less exciting by comparison. Bonds continued to lose ground, but mainly in the longer end of the yield curve (i.e. 10 and 30yr Treasuries were higher in yield while 2 and 3yr Treasuries were lower). At the moment, mortgages have more in common with 5yr Treasuries than their normal 10yr Treasury benchmark. As such, on a day where the 5yr is doing better than the 10yr, it's no surprise to see mortgage-backed bonds doing a bit better than the 10yr would suggest.

Nonetheless, rates moved modestly higher with the average lender now much closer to the 6.625% level on a top tier conventional 30yr fixed.

With that, the past 2 days end up looking like a typical correction following a sharp drop in rates. The initial bounce is almost always the biggest with subsequent days losing steam. There's no way to know if this correction has run its course. The global sources of volatility that made Monday so crazy could re-emerge, or we could see a new motivation come to light.

Either way, the more important consideration is next week's inflation data, which has more power than anything else on the near term calendar to set the next trend for rates.

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