

# MORTGAGE RATE WATCH

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## Mortgage Rates Drop to Lowest Levels Since April 2023

Mortgage rates have a long and storied history of making big moves on the day that the big monthly jobs report comes out. In that regard, today was fairly normal. Indeed, the jobs report came out and mortgage rates made their biggest move of the week, dropping to the lowest levels since April 2023.

The biggest catch in today's case was the fact that much of the market movement came in response to comments from several Fed officials who weighed in on the prospects for the rate cut in a week and a half. Granted, the jobs report influenced those comments, but they were ultimately reduced to votes for a 0.25% vs a 0.50% rate cut (the Fed is cutting either way).

To be fair, the Fed comments had a bigger impact on parts of the market that don't directly correlate with mortgage rates. That was a victory for us today. Rates would have been higher otherwise.

If this seems slightly confusing, it's important to remember that the Fed Funds Rate does not move hand in hand with mortgage rates. Mortgage rates move well in advance of the Fed because mortgage rates are tied to the real-time bond market whereas the Fed only updates rates 8 times per year. Moreover, the Fed Funds Rate applies to the shortest time frames (<24 hours) whereas the average mortgage lasts around 5 years.

The takeaway is that you should NOT expect mortgage rates to improve after the Fed cuts rates. Mortgage rates have ALREADY improved in anticipation of the rate cut.



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