MORTGAGE RATE WATCH
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Mortgage Rates Lowest Since February 2023

Mortgage rates moved lower again today despite a key inflation report coming in higher than expected. This is counterintuitive for anyone who's been following rate movement closely over the past few years.

During that time, inflation reports have had a strong, direct connection to mortgage rate volatility with higher inflation begetting higher rates and vice versa. But as we discussed yesterday, the prominent role of inflation data is fading to that of a supporting actor. It is now the labor market that is almost always on center stage.

It's not that inflation doesn't matter or that it couldn't matter again in the future. Rather, it's just that today's Consumer Price Index (CPI) was only one report. It would have been unable to undo the net impact from the past 3 CPI reports which all conveyed significant progress toward the Fed's 2.0% annual inflation target (in fact, if you asked just those 3 reports, we're already below 2.0% annually).

Despite all of the above, the bond market (which dictates rates) still gyrated a bit this morning. It simply wasn't enough to derail the mortgage rate improvements. Many lenders were relieved to see an absence of negative backlash. Their pricing improvements suggested they had been waiting to see how today's data would impact the market.

Do note, however, that some lenders improved rates yesterday afternoon and are not much better today. Also note that due to the structure of the underlying market for mortgage backed securities, there are certain pricing advantages at rates that end in .125% and .625%. As such, when broad national averages (i.e. "best case scenarios") approach 6.125%, there can be larger-than-normal swings in that direction that won't readily apply to loan scenarios at higher rates.

Mike Hardy
Mortgage Advisor, Fairview Mortgage Capital, Inc.
mortgagemike562.com
M: (562) 370-0544
29000 S. Western Ave.
Rancho Palos Verdes CA 90275
NMLS #1175689
DRE #01326046