

Low Volatility in Mortgage Rates, But Next Week Could be Very Different

We've talked a lot about why the Fed rate cut will have no additional positive impact on mortgage rates next week. Everything the market can already reasonably foresee about what the Fed might do is already reflected in today's mortgage rates. In other words, much of the sharp mortgage rate decline seen in recent months is simply a reflection of the growing odds for lower Fed Funds Rates in the near-term future.

But while a Fed rate cut doesn't guarantee lower mortgage rates, the info that comes out on Fed day can still cause tremendous volatility. In this particular case, one reason is that the market is fairly evenly split on whether the Fed will cut by 0.25% or 0.50%. Either way, half of the market will be surprised and that's a recipe for volatility.

In addition, there are other documents released concurrently with the rate announcement that can cause rapid movement in longer term interest rates for better or worse. That happens at 2pm ET on Wednesday afternoon. 30 minutes later, Fed Chair Powell will field questions from reporters--another Fed day event with the potential to send rates in either direction.

By the time all is said and done, we may have seen several back-and-forth moves on Wednesday. Volatility could continue into Thursday, but while mortgage rates could definitely end up being noticeably higher or lower by the end of the week, the bigger changes in the bigger picture would depend on the most closely-watched economic data due out in the first week of October.

As for this week, it went out on a quiet note with rates almost perfectly unchanged from yesterday. The average lender remains just a hair above the lowest levels since February 2023.



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