MORTGAGE RATE WATCH
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Mortgage Rates Inch Lower to Begin Potentially Wild Week

The new week began on a relatively quiet note in terms of mortgage rate movement and the underlying bond market. There was modest volatility earlier this morning with a Manufacturing survey causing some headwinds for bonds. This would normally lead to slightly higher mortgage rates, but bonds recovered shortly thereafter and spent the rest of the day near their best recent levels.

As such, it's no surprise to see mortgage rates also hanging out near their best recent levels. The average lender is right in line with the lowest rates since February 2023 for the 4th straight day.

That calm, narrow range is at high risk of changing in the coming days. In addition to more relevant economic data in tomorrow's Retail Sales report, this week's biggest flashpoint will be Wednesday afternoon's Fed announcement.

Traders have quickly shifted back to expecting slightly better odds of a 0.50% rate cut versus the minimum 0.25%. That's not even the important part of the announcement, however. Markets will be more focused on the rate trajectory outlined in the Fed's economic projections as well as the guidance offered in the text of the announcement and Fed Chair Powell's press conference.

This will be the first Fed meeting in long time where there has been such an even split in forecasted outcomes. Any time an outcome is guaranteed to surprise about half the market, it's pretty much impossible to avoid volatility. As always, keep in mind that volatility has no directional connotation. Things could get better or worse!

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