

MORTGAGE RATE WATCH

Daily Coverage. Industry Leading Perspective.

Yes! Mortgage Rates Really Did Move HIGHER After The Fed Rate Cut

We publish daily coverage of mortgage rate movement and have done so for nearly 20 years now. It's a great place to quickly check in on rate trends and to get a sense of what's true and what matters. If you'd been checking in at any point in the past few days/weeks, you likely saw one of several attempts to remind readers that today's Fed rate cut not only had absolutely no implication for lower mortgage rates, but indeed that mortgage rates have often moved higher on the same day that the Fed cuts.

That's what happened today.

Interestingly enough, mortgage rates were already slightly higher than yesterday BEFORE the Fed announcement came out. The bonds that dictate mortgage rates are actually pointing to even higher rates tomorrow unless there's a decent improvement overnight.

Given short attention spans, here's a bullet point list of why this paradox can exist:

- The Fed meets 8 times a year whereas mortgages can move every day
- The bonds that influence mortgages can move every second.
- That means mortgage rates had a long head start toward lower rates while the Fed waited for their meeting date
- A trader would be stupid to keep a tradeable rate/bond in higher territory if they knew as well as you did that the Fed was cutting rates today. Why would they wait to trade mortgage rates lower? Nothing was stopping them and that's why rates have dropped so much in recent months.

Some other angles of bullet points on the same topic:

- The actual Fed rate cut itself is only one part of Fed day and usually not the most important part
- The Fed also releases a rate outlook from each member every other meeting. Today's meeting was one of them
- The Fed also conducts a post-announcement press conference in which the Fed Chair can refine the market's takeaway and help shape expectations for the road ahead.

In not so many words, Fed Chair Powell's press conference was less rate-friendly than you might expect given the 0.50% cut to the Fed Funds Rate.

Here's the kicker: nothing about today means much of anything for the trajectory for rates from here on out. There's probably a slightly bigger risk that recent rate lows represent something of a floor until economic data makes a case that rates should go lower, but there's NEVER ANY way to know exactly what rates will do in the future. If you don't believe that after today, well... please just believe it.

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