

# MORTGAGE RATE WATCH

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## Mortgage Rates Hit Another Multi-Month High Despite Afternoon Recovery

Mortgage rates tend to be updated only once per day. Lenders set rates based on trading levels in mortgage-backed securities (MBS) which are essentially bonds that are tied to cash flows from groups of mortgages. MBS move throughout the day much the same way that US Treasuries do. If they move enough, lenders can issue mid-day changes to the rates they published earlier in the day.

Today began with Treasury yields in higher territory and MBS in weaker territory. That almost always means that mortgage rates will come out higher than the previous day and indeed they did! The average lender moved up to 7.08% from 7.00% on a top tier 30yr fixed scenario.

Bonds improved in the afternoon by enough for lenders to reprice. That brought the average down to 7.03% which is obviously still a bit higher than yesterday's 7.00%. Bottom line, today's rates marketed another multi-month high.

Expect volatility potential to remain elevated through the 2nd half of next week at the very least with each day between now and then at risk of fairly substantial movement. The riskiest days are this Friday, next Wednesday, and next Thursday due the jobs report, election, and Fed announcement.



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