

MORTGAGE RATE WATCH

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Mortgage Rates Start Week Slightly Lower as Election Volatility Works Both Ways

Love it or hate it, election-related volatility has been having a big impact on the bond market and, thus, mortgage rates. Most of the volatility has resulted in higher rates, but there was an exception over the weekend. Due to a combination of shifting odds in betting markets and among pollsters, rates recovered a portion of the ground lost last week.

Mortgage rates didn't react in an extreme fashion, but the average lender moved back down toward 7% for a top tier conventional 30yr fixed scenario. The same scenario was closer to 7.125% late last week.

To whatever extent we've seen election-related volatility so far, it's a fair expectation that we'll see follow-through after a winner is confirmed. Our best read on prevailing sentiment is that a Trump victory will cause rates to move even higher whereas a Harris victory would lead to a friendly correction. This is based on an assessment of how bonds have moved relative to several measures of election odds in addition to feedback and commentary from a substantial majority of analysts and traders.

NOTE: these are only the outcomes associated with the immediate future. No one really knows how rates would fare in the longer term. There are scenarios where rates could move lower in a Trump administration and higher in a Harris administration.

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