

# MORTGAGE RATE WATCH

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## Mortgage Rates Start Higher, But Fall in Afternoon

More often than not, mortgage lenders only set rates once a day. Their decisions are based on trading levels in the underlying bond market. Even though bonds are constantly moving, it doesn't make sense for lenders to make a change unless a certain threshold of market movement is surpassed. The result is what the industry refers to as a "mid day reprice."

The AM hours saw a handful of lenders reprice for the worse (i.e. toward higher rates) as bonds lost ground after the ISM Services report (a closely-watched economic report that tends to influence the bond market if it comes in much higher or lower than forecast). Today's ISM data was much stronger, thus pushing bond yields higher.

The afternoon hours were not as easy to connect to root causes and obvious motivations. One can only assume that we continue witnessing a substantial amount of pre-election volatility in the bond market. While that's mostly worked against rates, the opposite was true this afternoon. The improvement allowed most lenders to update their rate offerings.

All told, the average lender moved from what were just barely the highest levels in months this morning, back to just a hair below yesterday's levels.

As you've probably heard, it's election day and while this remains the biggest source of potential volatility, that volatility won't begin to play out for rates until tomorrow morning at the earliest.

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