

MORTGAGE RATE WATCH

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Mortgage Rates Lower Again As Lenders Catch Up With Bonds

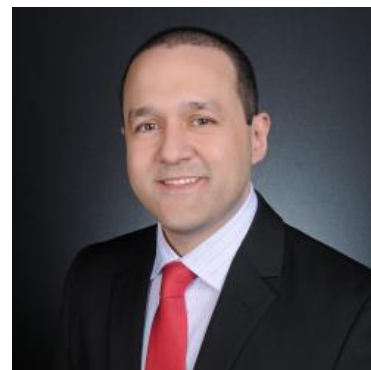
The bond market dictates day to day movement for all manner of interest rates, including mortgages. On election night, bond yields (another word for "rates") spiked as soon as traders felt the results were evident. The following morning, mortgage-backed bonds started out much weaker and mortgage rates were at the highest level in months.

Fast forward two days and mortgage rates are back below 7% and at the lowest levels since October 25th. While that's not an exceptional leap into the past, it's certainly better than a continued move to infinity and beyond. What gives?!

In not so many words, not much. The bond market had rushed to get into position for the election, and the reaction to election night itself ended up being a mere formality that was quickly erased--a testament to how accurately the market predicted where it would have wanted to be WELL in advance.

Today's rate improvement wasn't as much a factor of bond market gains as it was mortgage lenders getting caught up to the gains from yesterday. Lenders have been understandably cautious given the big swings in bonds and the prospect for additional volatility. At times like this, it's not uncommon for lenders to wait a bit longer than normal to be sure bond market improvement is sustained before adjusting mortgage rates.

As nice as this recovery is, it shouldn't be viewed as indicative of ongoing success. Rates continue to face headwinds that will only truly be defeated by weaker economic data and lower inflation. To that end, economic reports will continue playing an important role. Next week's headliners include the Consumer Price Index (CPI) and Retail Sales on Wednesday and Friday respectively. Monday is closed for Veterans Day.



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