

Mortgage Rates Only Modestly Lower Despite Seemingly Big News

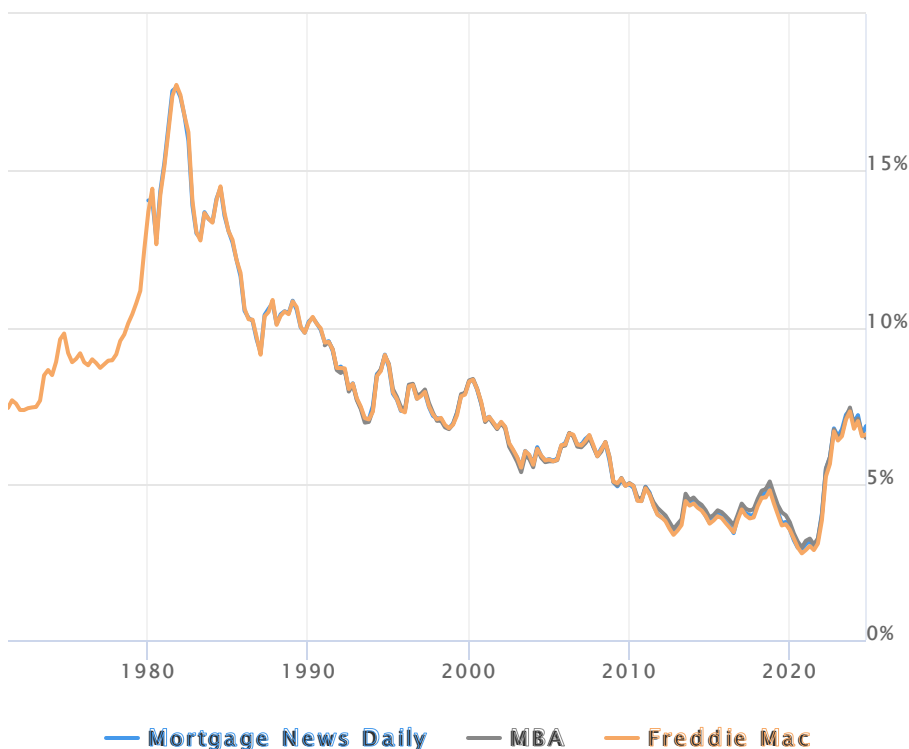
Ask your favorite curmudgeonly old market watcher and they'll be happy to explain what "always" happens in financial markets when there's breaking news regarding large scale geopolitical risk. It would be a surprise if you didn't hear a phrase like "flight to safety," the most common shorthand reference to selling stocks and buying bonds.

Why would mortgage rates care about all that? A few reasons...

First off, rates are driven by bonds. "Buying bonds" would help rates move lower, all other things being equal. Another reason to care is that, within the last 24 hours, the U.S. authorized Ukraine to use long range missiles to attack Russia, Ukraine has already attacked Russia, and Russia has already threatened to respond with nuclear weapons in not so many words.

Feed those details into a magical trading computer and it would predict exactly what we saw in overnight trading. Stocks fell and bonds/rates improved. The computer would likely vastly overestimate the size of the improvement in rates, however, as well as the fact that stocks would end up higher by the end of the day.

All that to say that the improvement in mortgage rates was wholly underwhelming relative to the news headlines--likely because it's far from the first such threat from Russia, or because traders are skeptical that anyone wants to push any of the red buttons on the "mutually assured destruction" machine.



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