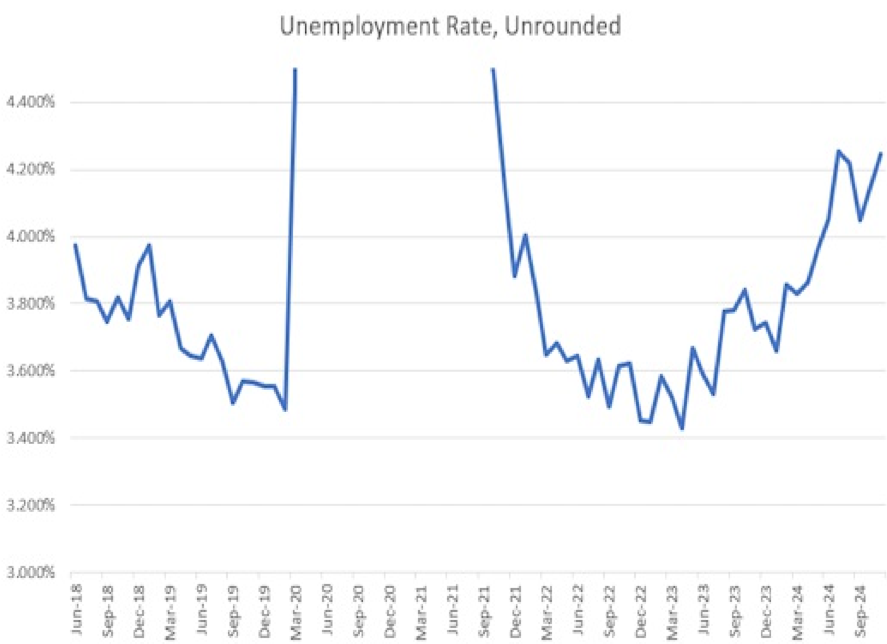
Mortgage Rate Watch
Daily Coverage. Industry Leading Perspective.

Mortgage Rates Fall More Than Expected After Jobs Report

As of last week, rates were showing some signs of resilience, but they had to wait for the true test from this week's jobs report. Spoiler alert: they passed the test.

It wasn't that the headline job count was particularly low, but it wasn't strong enough to argue against the fact that the labor market has cooled off compared to the first half of the year, or that 2024 is much cooler than 2023.

The simplest way to visualize the cooling is via this chart of the unemployment rate.



It would be fair to point out that 4.2+ is still a historically low unemployment rate, but just as fair to point out that the unemployment rate tends to move with a sort of glacial momentum that rarely changes course abruptly.

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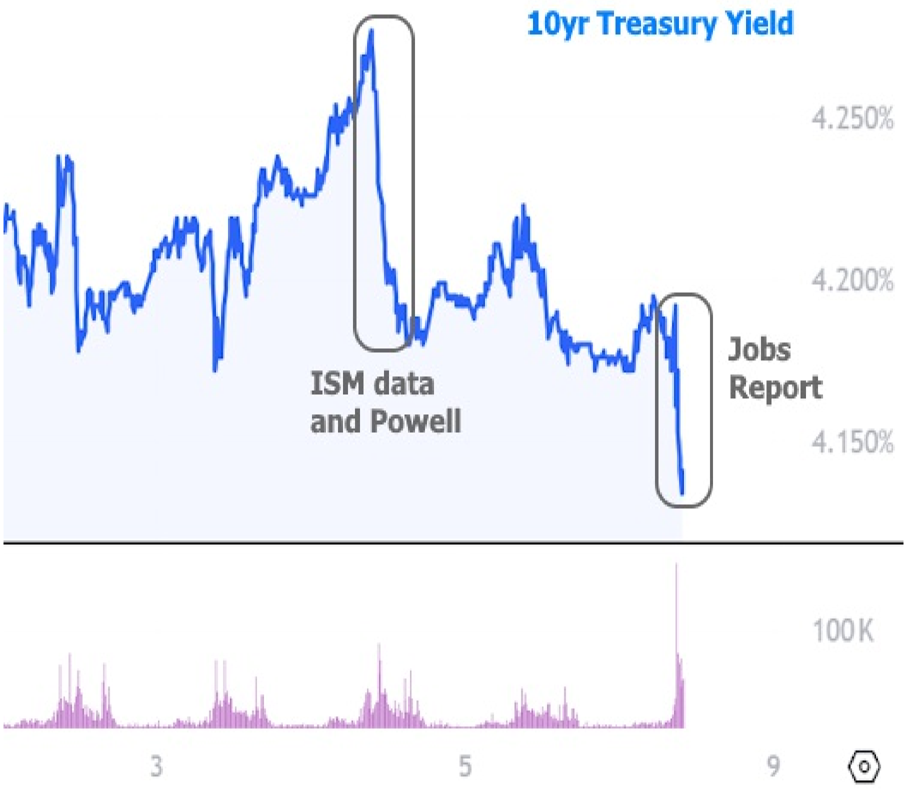
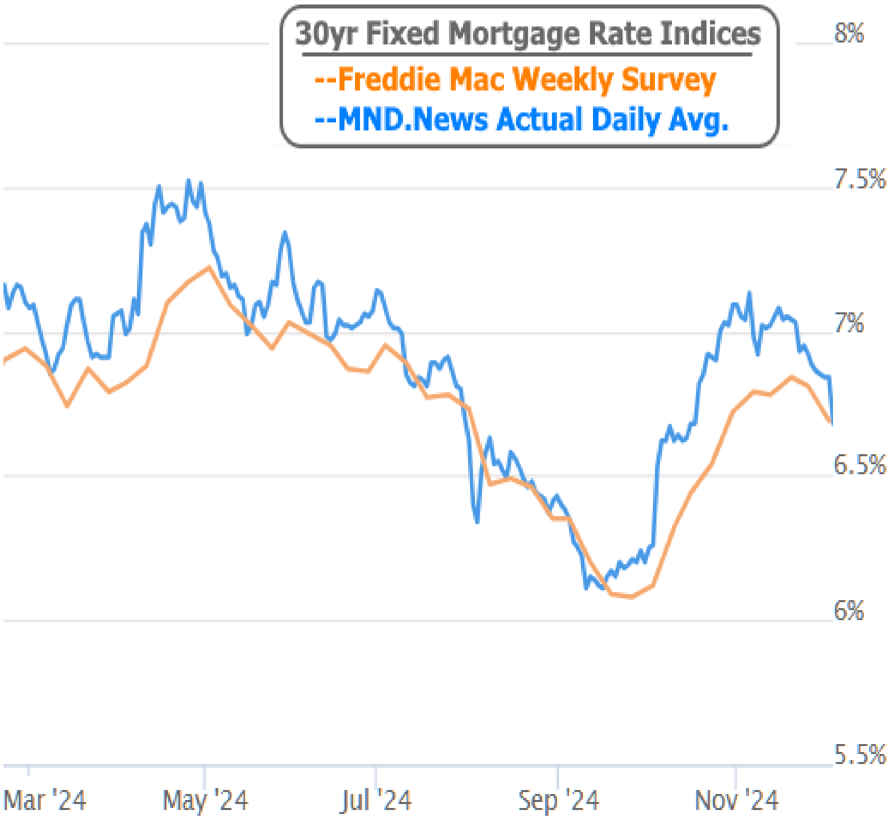
This cooling is one of the reasons the Fed decided to begin cutting rates in September. As we discussed in the weeks leading up to that, the market is able to anticipate those decisions, thus pushing rates lower before the Fed actually pulls the trigger. The same thing is arguably happening this week, especially after today's jobs report.

10yr Treasury yields serve as a benchmark for mortgage rates, indirectly. They can help us understand how rate sentiment reacts to data. Here's how they reacted today:

In addition to the jobs report, Wednesday's ISM Services index was also rate-friendly (i.e. it came out weaker than expected).



Mortgage rates don't always track perfectly with Treasury yields, but they've also been moving lower--especially after the jobs report. The average lender is at the best levels in a little over a month and a half.



NOTE: today's drop in our rate index is especially sharp relative to the amount of underlying movement in the bond market. This can happen for a few reasons. Part of the reason can be as simple as lenders being cautious ahead of a major piece of economic data. We know rates had sort of flat-lined in the mid 6.8% range this week and we know that traders were waiting for the jobs report to provide a cue on the next move. Once the cue was clear, lenders were clear to make their own move.

On a much more esoteric note, the plumbing of the mortgage bond market is such that a rate of 6.625% will be as profitable to a lender as 6.75% in most cases. In a world where rates are offered in .125% increments, that means the next stop after moving down from 6.875% is 6.625%. Our methodology generally filters out most of this noise (that's one reason our index can be set at or near 6.75% even though you're not likely to see that on a mortgage note from most lenders), but even after adjusting for the noise, it was still a larger than normal move lower today for the average lender.