

MORTGAGE RATE WATCH

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Mortgage Rates Higher to Start Holiday-Shortened Week

Holidays have inconsistent impacts on mortgage rates because holiday's have inconsistent impacts on the bond market (and rates are dictated by the bond market). Bond traders (the people buying and selling the bonds that ultimately determine mortgage rates) are people too. They take vacations, or tack an extra day or two onto a scheduled holiday market closure to make for an extended holiday weekend.

When more than a few traders are absent, the balance of remaining traders can make for different dynamics than would normally be seen. This can cause some distortion in rates around the holidays, typically in the form of increased volatility.

Trader absences aren't the only consideration--especially in late December. There can be a lot of seemingly random trading motivation that acts to push rates higher or lower regardless of the cues from the more normal inputs (such as economic data and policy changes).

In the current case, we're fresh off a monetary policy communication that had a negative impact on rates. Now in the new week, rates are moving higher yet again, despite what would normally be friendly cues from this morning's economic data. The light trading volume suggests the holiday idiosyncrasies are at least partly to blame.

The average mortgage lender is back near its highest rates of the past few months, with top tier conventional 30yr fixed rates hovering around 7.125%.



April Palacios

Branch Sales Manager,
Fairway Independent
Mortgage Corporation

P: (980) 290-4140

M: (704) 989-2961

6431 Old Monroe Rd, Suite 201
Indian Trail North Carolina 28079
124941



Jennifer Buenau

Broker/REALTOR, Untied
Real Estate Queen City

<https://youknowbuenau.com/>

M: (845) 800-5878

jennybsellsthecarolinas@gmail.com

7880 Idlewild Rd
Indian Trail NC 28079-____

