

# MORTGAGE RATE WATCH

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## Mortgage Rates Slightly Higher as Markets Close Early

Major holidays typically involve a full day market closure along with an "early close" on an adjacent day. This matters to rates because mortgage lenders decide what they can offer based on trading levels in the bond market. Mortgage lenders also need a certain amount of activity in the market if they hope to set competitive rates.

As you might imagine, those "early close" days don't tend to have as much activity, so lenders aren't making as many adjustments as normal. In today's case, that ended up being helpful as it limited the amount of negative adjustments.

Specifically, the average lender began the day in roughly the same territory as yesterday, but the bond market took a turn for the worse a few hours later. Based on the pace of the weakness in the bond market, the average lender would normally issue a negative reprice (increasing their rates for the day). As it happened, only a small handful of lenders repriced.

On one hand, this could mean that Thursday's rates start out higher. On the other hand, there's no way to know where the bond market will open up on Thursday. Either way, the final or first trading day of any given year can see some excess volatility/momentum for reasons that have nothing to do with the normal motivations (economic data, news, policy changes).

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