

MORTGAGE RATE WATCH

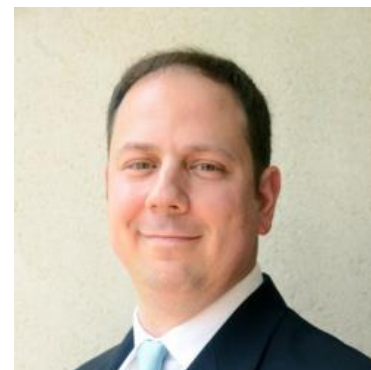
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Lowest Rates in Over a Month, But There's a Catch

Interest rates are driven by the bond market and bonds are at their best levels in over a month. As such, it's no surprise that mortgage rates are able to make a similar claim. In fact, we'd need to go back to December 20th to see a lower average rate for top tier 30yr fixed mortgages.

The catch is that today's rate is so close to yesterday's that many borrowers may see no difference at all. In turn, yesterday's rates were also effectively unchanged from the previous 2 days. In other words, it's been a very flat week and today just happens to be microscopically better than the rest.

Markets did a respectable job of digesting this morning's economic data, which put some upward pressure on bond yields and, thus, implied upward pressure on mortgage rates. Tomorrow's data brings another opportunity for some volatility. The PCE price index is one of the two main inflation reports that comes out each month. If it's much higher or lower than expected, rates could react accordingly (with higher inflation implying higher rates and vice versa).



Michael Levine

Senior Loan Officer,
CrossCountry Mortgage

M: 914-391-1183

2900 Westchester Ave.
Purchase NY 10577-____
307827