Mortgage Rates Quickly Moving Toward 4 Month Lows

Over the past 4 business days, the average top tier mortgage rate has fallen by 0.22%. While that may seem like a small number, consider that mortgage rates haven't moved half as much in either direction for the entire month up until this point. Looked at another way, the last time rates moved down this much, it took more than 3 weeks.

While there are examples of rates dropping faster, the point is that the current pace is relatively rare. It's made all the more interesting by the absence of what we would consider to be top tier motivations. Such motivations typically include things like the jobs report, other key economic reports, major geopolitical events, or big policy revelations from the Federal Reserve.

The current example definitely draws on some downbeat economic data for inspiration, but not from reports that are usually responsible for this type of movement. Additionally, the underlying bond market has continued to improve at a steady pace at times of day that suggest motivations beyond the economic reports.

Long story short, bonds are in fashion at the moment. When traders buy more bonds, rates move lower, all other things being equal. The broadest and most common explanations have to do with expectations for a downshift in global economic growth in response to domestic tariffs and cost-cutting efforts. That topic is a can of worms in terms of complexity and counterpoints, to be sure.

Fortunately, it will either be confirmed or rejected by economic data in the coming months. There's more room for improvement if the data is weak and inflation is lower than expected. Conversely, if it's merely "vibes" driving the present bond buying spree and the data sings a different tune, there's plenty of room for rates to bounce back up.

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