

MORTGAGE RATE WATCH

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Mortgage Rates Recover Some of Last Week's Losses

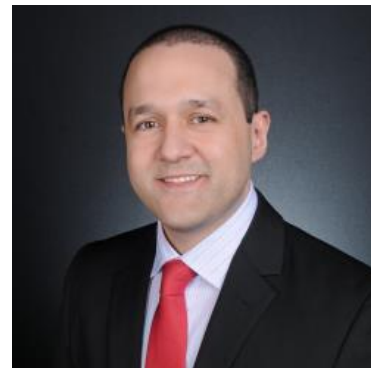
Conventional 30yr fixed mortgage rates hit their lowest levels in months last Tuesday morning, with the average lender right in line with levels from mid October or early December. After that, rates rose steadily for the next two days and leveled off on Friday.

While the bounce was small enough to leave a vast majority of 2025's improvement intact, it nonetheless raised the risk that the bond market would need more convincing before rates were willing to keep following the broader sentiment suggested by ongoing stock losses.

Specifically, stocks are speaking to economic concerns. When stocks drop quickly enough, investors can seek safer havens, such as bonds. When demand for bonds increases, rates fall, all other things being equal.

Monday has been reassuring in that regard. Bonds are once again paying attention to weakness in stocks--it just happened to take a bigger drop in stocks that we saw last week. Despite the improvement in rates, we would still expect some resistance to the idea of rapid improvement unless the economic data begins to sound the same warnings as equities markets.

On that note, the most relevant econ data on the near-term horizon is Wednesday's Consumer Price Index (CPI), the first of the broad measures of inflation in the U.S. and one of the biggest potential sources of volatility for rates.



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