MORTGAGE RATE WATCH
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Mortgage Rates Move Lower Even Though They Weren't Supposed To

First thing's first before anyone gets too excited: yes, rates fell on Friday, but not significantly. The average lender is still a bit closer to the higher end of the recent range. In addition, the recent range is quite narrow with average top tier 30yr fixed rates never straying too far from 6.75 since late February.

What made today interesting was the fact that rates moved lower at all. As we often discuss, rates take lots of guidance from key economic reports such as this morning's PCE price index (a key inflation report). PCE arguably had more potential than any other economic data this week to cause a reaction in rates.

Conventional wisdom is clear on the reaction function: If inflation comes in higher than expected, rates are more likely to move up, all other things being equal. In today's case, rates dropped even though inflation rose. What's up with that?

One mitigating factor is the fact that the unrounded PCE numbers were much closer to what the market was expecting. In other words, inflation looked like it rose more than it actually did due to the custom of rounding the numbers to the nearest tenth of a percent.

Beyond that, it's also plain to see that the stock market fell significantly today--something that's recently been very likely to correlate with interest rates moving lower.

Last but not least, there are some advanced considerations that have to do with month and quarter end trading practices. A detailed explanation is beyond the scope of our coverage, but the gist is that month/quarter end can create rate movement in either direction without any motivation from economic data. With Monday being the last day of the month/quarter, we're certainly seeing some influence from this type of trading.

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