MORTGAGE RATE WATCH
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Wild Ride For Mortgage Rates, Should Spill Into Tomorrow Too

For anyone remotely tuned into financial news, it will come as no surprise that this has been a crazy week and today has been a crazy day. This is just as true for stocks as it is for the bond market that dictates interest rate movement.

Overnight, stocks and bonds both deteriorated substantially. When it comes to bonds, that means prices moved lower and yields (another word for "rates") move higher. In other words, bond yields tend to move in the same direction as mortgage rates, and both were up BIG this morning.

In fact, the average top tier 30yr fixed rate was all the way up to 7.0% for the first time since February 19th. In not so many words, the implementation of higher tariffs has been behind the weakness in markets. With that in mind, it's no surprise to see a massive reversal in markets this afternoon after the Trump administration announced a 90 day pause on new tariffs for all countries but China.

This was one of the most jarring trading days for mortgage specific bonds (in terms of the juxtaposition of big losses and big gains) in decades. Only a small handful of similar examples exist going back to the financial crisis.

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In fact, mortgage-backed bonds made it all the way back to "unchanged" levels by the end of the day after being relatively terrible shape at 1pm ET. In a perfect world, that would mean mortgage rates could be at the same levels as yesterday afternoon, but sadly, that's not the way it works.

Market volatility has a price and it results in lenders being unable to perfectly keep pace with the underlying bond market. In not so many words, the more volatile the trading, the more it costs a mortgage lender to be able to offer any given rate.

The bottom line is that we only got back a fraction of what we lost by the end of the day. That said, some of the shortfall relates to the late-day timing of the recovery. The implication is that rates could be better tomorrow morning if financial markets hold these gains until then.

The other bottom line is that we have important inflation data due out tomorrow morning that could completely change that implication, and it will be out before mortgage lenders set rates for the day.