MORTGAGE RATE WATCH
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Mortgage Rates Lower After Fed Announcement, But Not Because of It

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There's nothing like a Fed announcement day to get almost every media outlet to run headlines that attempt to tie the day's market movement to the Fed's rate decision. The problem in today's case is that there wasn't even anything remotely resembling a decision, nor did anyone expect there to be.

Markets were effectively betting on a zero percent chance of a rate cut at this meeting, and that's been the case for several weeks. Fed speakers had also been very clear in their shoulder shrugs during that time, saying that there are two big policy considerations in play right now, each arguing in the opposite direction.

Specifically, the Fed has a mandate to "promote maximum employment," which could also be viewed as "promote a strong economy," and a mandate for "price stability," which is fancy talk for the Fed's inflation fighting role.

When Fed speakers have recently referred to those two mandates being in tension, they mean the potential drag on the economy from tariffs and tighter fiscal policy argues in favor of lower rates if it translates to higher unemployment and weaker economic data. Contrast that to the potential increase in inflation due to tariffs, which argues in favor of higher rates.

Simply put, there was nothing the Fed could do today but sit on its hands and wait to see which side of the mandate ended up having more compelling evidence, and nothing for Fed Chair Powell to do but reiterate that fact multiple times when almost every reporter asked a different version of the same question.

As for mortgage rates, they were indeed modestly lower, but the bond market movement that made that possible was already in place beforehand. Additionally, the improvement is small enough as to be considered more of a sideways drift in the bigger picture.