

MORTGAGE RATE WATCH

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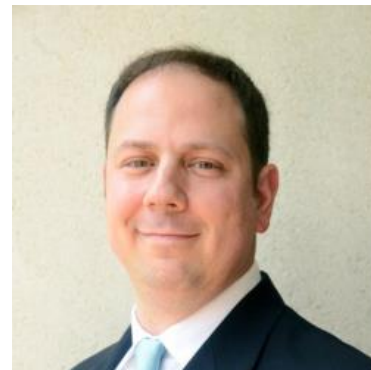
Mortgage Rates Briefly Over 7% Before Mid-Day Improvement

Mortgage rates jumped sharply over the weekend as financial markets reacted to Moody's credit rating downgrade of the U.S. News of the downgrade broke with only minutes left in Friday's market/business day, so most of the response played out when global markets opened again late last night.

The initial reaction involved stock prices moving lower and bond yields moving higher (which can also be characterized as bond market weakness/losses/etc). In general, bond market weakness coincides with higher mortgage rates and this morning was no exception.

Most mortgage lenders are deciding on rates for the day in the 9am-10am ET time frame. Because this was one of the weakest moments for the bond market, mortgage rates were sharply higher at first. The average lender was back over 7% for the 1st time since April 11th, and only the 2nd time in 3 months.

No sooner were these rates being published than the underlying market began moving back in the other direction. Mortgage lenders prefer to only set rates once per day, but will make mid-day updates when things change enough. Today's reversal was more than sufficient to prompt a re-price. After that, the average top tier 30yr fixed rate moved just barely back below 7.0%--still higher than Friday, but much more in line with last week's range.



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