

# MORTGAGE RATE WATCH

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## Mortgage Rates Move Up to 3 Month Highs

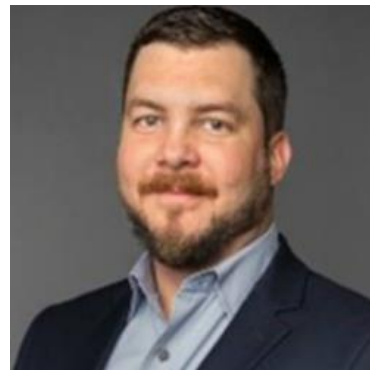
Two days ago, mortgage rates began the day at 7.04% before mid-day improvements brought the average back down to 6.99%. Today started out in a similar vein with the average lender at 7.05%, but the mid-day movement only made things worse.

In terms of catalyst events, the bond market (and stock market, for that matter) swooned after a scheduled auction of 20yr Treasury bonds. The auction results were weaker than expected, signaling lower-than-expected demand. When demand is lower for Treasuries, it puts upward pressure on bond yields (aka "rates").

Notably, the 20yr auction results were hitting at the same time that some updates were coming out regarding the budget debate in congress. In general, the bond market has not been enthusiastic about how that process has evolved. Bonds were hoping for a tighter leash on spending because lower spending implies lower bond issuance--something that would help rates move lower, all other things being equal.

At this point, all potential iterations of the spending bill involve more spending than bonds wanted. The 20yr auction isn't all that important in the bigger picture, but it was latched onto as evidence of bigger underlying structural concerns.

All that to say: bonds were weak in the morning and even weaker in the afternoon. When bonds move enough during the day, mortgage lenders can adjust their rates for the day. Most lenders did so. By the end of the day, this brought the average up to 7.08%--the highest closing level in just over 3 months.



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