MORTGAGE RATE WATCH

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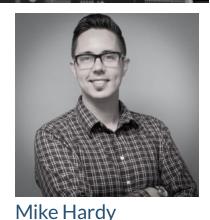
Mortgage Rates Edge Down From Recent Highs, But Remain Over 7%

Mortgage rates hit their highest level in just over 3 months yesterday with financial markets generally protesting the absence of more serious spending cuts in the spending bill. Rates care about fiscal spending because higher spending requires higher Treasury issuance which, in turn, pushes rates higher, all else equal.

Although the House passed the bill early this morning, financial markets were already fairly well braced for the impact. Now that the Senate is saying the bill likely won't reach the President's desk until late Summer, markets are able to pause and reflect.

One conclusion that some investors are coming to is that yields on US Treasuries are increasingly attractive as they move up through the 4% range (and in the case of 30yr bonds, the 5% range). When investors buy more bonds, it puts downward pressure on rates.

As far as today was concerned, it didn't amount to much in terms of movement versus yesterday. The average lender is just a hair lower, but still over 7% for top tier 30yr fixed scenarios.



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