

# MORTGAGE RATE WATCH

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## Biggest Daily Drop For Mortgage Rates in Over a Month

Whether or not today's drop in rates is meaningful depends on one's perspective, but in the context of recent rate movement, it's definitely noticeable. The simplest way to think about the improvement is as follows: the average lender is now about an eighth of a percent lower in just over a week.

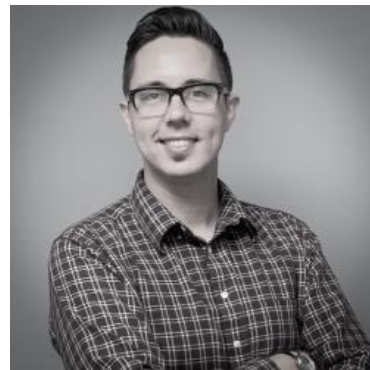
If we want to be more specific, today's average top tier 30yr fixed rate is down to 6.87% from 6.96% yesterday, making it the best single day drop since mid April. The same rate was 7.08% exactly 2 weeks ago.

Mortgage lenders tend to offer rates in eighth point increments. When the average was at 7.08%, the prevailing rate quote would have been 7.125%. Today it would be 6.875%, or a 0.25% improvement. This would drop the payment on a \$400k mortgage by roughly \$67/mo.

As far as motivations for today's larger gains, it all comes down to economic data (which is really the only game in town if we hope to see further improvement). The eternal trade off of the relationship between data and rates is that the economy must weaken in order for rates to drop.

Today's data featured a sharply weaker reading in the labor market from ADP as well as a the lowest reading in nearly a year on a key service sector gauge.

Tomorrow is the least consequential day of the week in terms of economic data, but Friday brings the most significant data of the week in the form of the big jobs report. If it corroborates the message of today's data, rates could continue lower, but it's important to note that there are many past examples of the jobs report being wildly different from the data that comes out earlier the same week.



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