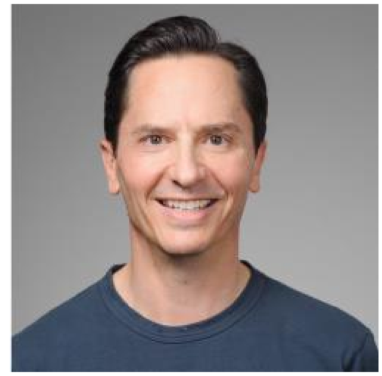
Mortgage Rates Jump Back Toward 7% After Jobs Report



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Mortgage rates have enjoyed a nice run since May 21st, with the MND Index (average top tier 30yr fixed scenarios) falling from a recent peak of 7.08% to this week's low of 6.87%. As recently as yesterday afternoon, rates were still much closer to those lows at 6.89%.

One day can make a big difference and today turned out to be that day. We knew there was a risk of volatility due to the release of the big jobs report this morning. Unfortunately for rates, the news was less dire than markets were prepared for.

Specifically, traders of the bonds that influence interest rates were moving into a defensive position after this week's previous economic reports foreshadowed some extra weakness in today's jobs report. In this case, the defensive position would equate to "buying more bonds" which, in turn, pushes rates lower.

In other words, they'd taken a lead-off toward lower rates based on the suspicion that the data might come out a bit worse than forecast. As it happened, however, the data was right in line with forecasts. With that, the proverbial runner was quick to return to base with the rate index heading back up to 6.97%.

This is a fairly middle-of-the-road rate over the past month and a half. The implication is that we're right back in the same holding pattern observed over the past few weeks as we wait for a more compelling shift in the economic data or other key events.