

# MORTGAGE RATE WATCH

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## Lowest Mortgage Rates in More Than a Month

Mortgage rates being offered today are only a hair lower for the average lender than they were on June 4th, but June 4th was the best day since early May. In other words, today's average rate is the lowest in just over a month.

This didn't happen by chance. The underlying bond market has been responding to economic data over the past two days. Yesterday's consumer-focused inflation data delivered most of the benefit. Today's producer-focused inflation data essentially stayed out of the way.

The data has created some buzz regarding the Fed's rate cut outlook. Indeed, traders are now betting on a higher likelihood of an additional cut by the end of the year. But it's important to understand that there is still essentially no chance that the Fed cuts rates at next week's meeting.

Even if the Fed were to cut next week, it would not necessarily be good for mortgage rates. The Fed Funds Rate applies to overnight lending between large institutions whereas mortgage rates are based on bonds with much longer lifespans (aka "duration"). Duration is everything when it comes to valuing bonds, and longer durations often diverge from the shortest durations.

### Mark Ingram

Broker Owner, Ingram Company

[www.ingramcompany.net](http://www.ingramcompany.net)

P: (949) 378-1701

M: (949) 378-1701

170 E. 17th St. #200G

Costa Mesa CA 92627

CADRE: 01226769

NMLS: 371141 / 358879