

## Mortgage Rates Slightly Lower Ahead of Fed Day

Mortgage rates continue operating in a narrow range with almost every day of the past two months falling between 6.8 and 7.0% for a top tier 30yr fixed scenario. Today's average rate fell 0.03 after moving up 0.06 since June 12th.

This morning's most relevant potential influence--the Retail Sales report--turned out to have a limited impact this morning. To be fair, when rates are as stable as they have been, there's no need to overanalyze their underlying motivations. For those determined to do it anyway, today's best example may have been general market anxiety surrounding war in the Middle East.

We have yet to see any huge market reaction in response to any of the geopolitical headlines, but there was a reaction that played out over the course of several hours that helped the bond market gain some ground. When bonds improve, mortgage lenders are able to offer lower rates.

Tomorrow's Fed announcement adds to the potential volatility in a more serious way. This has nothing to do with "cut vs no cut" (there is zero chance of a rate cut tomorrow) and everything to do with the other information the Fed presents on announcement days. Of this info, it is the dot plot (a chart in the Fed's economic projection materials that show each Fed members' rate outlook over the next few years) that carries the most weight.

Caveat: POTENTIAL volatility is just that. Sometimes Fed announcement days end up leaving rates fairly unchanged. There's no way to now which way things will move ahead of time, only that the risk is higher than normal.

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