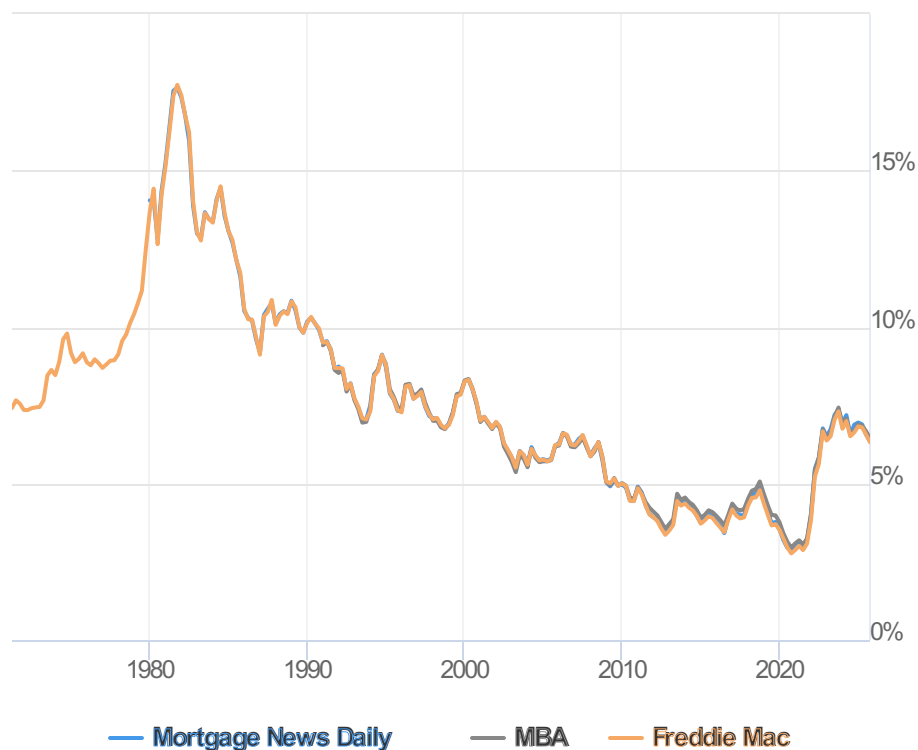


Mortgage Rates Near 3 Year Lows Ahead of Fed

Mortgage rates dropped sharply lower today relative to the amount of movement in the underlying bond market with the average lender right in line with the lowest levels since late 2022. Because rates are directly tied to the prices of those bonds, the correlation tends to be almost perfect over time.



But there are always scattered examples of one leap-frogging the other. These inconsistencies can arise for several reasons. In today's case, it happened due to late-day strength in bonds yesterday afternoon coupled with the structure of the underlying mortgage bond market.

An explanation of the latter would be woefully esoteric in the context of a daily mortgage rate update--even for industry professionals. In the simplest possible terms, it has to do with the range of interest rates allowed in each grouping of mortgage backed securities (MBS). As investor sentiment shifts in favor of the next lower grouping, it effectively greases the skids for rates to slide down into the range associated with that grouping.

The overall set-up is reminiscent of September 2024 when rates were doing the same thing for the same reasons ahead of Fed meeting with a virtual 100% chance of a rate cut. Back then, mortgage rates moved paradoxically higher after the Fed rate cut. The same thing could happen this time, but it's by no means guaranteed.

In fact, last year's Fed rate cut wasn't the catalyst for rising mortgage rates. Instead, it was an upbeat shift in economic data in early October. In other words, rates will take their next major cues from incoming economic



Scott Green

Home Loan Consultant,
Monument Mortgage
Group

P: (602) 971-0544 x1

M: (602) 577-8311

scott@scotthelps.com

21501 N. 78th Ave #100

Phoenix AZ 85382

Company NMLS #2512600

Individual NMLS #155901



David Rickey

Home Loan Consultant,
Monument Mortgage
Group

www.azmonument.com

P: (602) 971-0544 x2

david@azmonument.com

21501 N. 78th Ave

Peoria AZ 85382

Company NMLS #2512600

Individual NMLS #1493357

data over the next few weeks.

That said, tomorrow could still be a volatile day due to the Fed's quarterly update of each member's rate outlook (typically referred to as "the dot plot").