Mortgage Rates Fairly Flat Despite Bond Market Volatility

Over time, mortgage rate movement lines up almost perfectly with movement in the underlying bond market, but there can be day to day discrepancies depending on the timing of market volatility.

Think of mortgage rates like a restaurant that adjusts menu prices daily depending on the price of ingredients. Sometimes, ingredient prices will change significantly and early in the day, thus prompting the restaurant to adjust menu prices in the middle of the day. Other times, the ingredient prices may not change by enough or may happen too late in the day to prompt any change from the restaurant. These eventualities speak to the past 2 days for mortgage rates.

Specifically, bonds improved yesterday afternoon, which would eventually push mortgage rates lower. But it was too late in the day for most lenders to change their mortgage rates. Now today, bonds moved back to the weaker levels from yesterday morning. So the bond market is weaker, which would indicate higher rates, but because mortgage rates didn't adapt to yesterday afternoon's changes, lenders weren't compelled to raise rates compared to yesterday morning's levels.

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