

Yet Again, Mortgage Rates Surge Higher After Fed Rate Cut

Today was not a foregone conclusion and there was no way to know ahead of time that it would end like this, but the outcome is exactly why we've gone to such lengths to warn you about the potentially paradoxical reaction to a Fed rate cut.

Too many people repeat the fallacy that mortgage rates will benefit from a Fed cut. We have several recent examples of the exact opposite happening, and now today adds another strong reminder with the average lender moving higher at the fastest pace since the day after the last Fed meeting.

Why does this happen?

It has nothing to do with the rate cut itself. As we warned, volatility would come from Fed Chair Powell's press conference. In today's case, Powell said that another rate cut in December was not a foregone conclusion. This was at odds with the market's expectations, so there was a rush to reprice those expectations.

As always, today's rates instantly adjust to expectations for rates in the future (the main reason that Fed rate cuts do little-to-nothing to impact market rates).

In relative terms, rates are still lower than most of the past year, but back up to similar levels seen on October 14/15th.

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