

MORTGAGE RATE WATCH

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A message from Marc Erickson:

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Mortgage Rates Nudge Lower to Remain In The Same Old Range

Recent stock market losses have gotten a lot attention in the news recently. While there's no reliable correlation between stocks and interest rates, when stock losses are as big as they have been recently, it increases the tendency for rates to move in the same direction. That was definitely the case today.

Bonds (which dictate rates) improved overnight as stocks sank further. But as early as 7am, a reversal began to take shape. The catalyst was a comment from NY Fed Pres Williams who said he sees a good case for a rate cut at the upcoming December meeting.

On one hand, improved rate cut odds are typically good for longer term interest rates. That was apparent in the immediate moments following the the comment. But in many cases, such comments are also good for stocks.

On occasions where stocks aren't in the throes of a big sell-off, the net effect is often a divergence between stocks and rates (i.e. stocks move higher on Fed rate cut enthusiasm and bonds move lower for the same reason). In this week's case, because a decent amount of downward pressure on rates is attributable to recent stock losses, the rebound in stocks quickly gave way to upward pressure in rates.

Fortunately, the overnight gains were large enough to absorb that upward pressure. As such, mortgage rates managed to hold on to a modest improvement versus Thursday's latest levels. This keeps rates in the same narrow, sideways range that's been intact since the late October Fed meeting.

