

MORTGAGE RATE WATCH

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Mortgage Rates Jump to Match Highest Levels in Nearly a Month

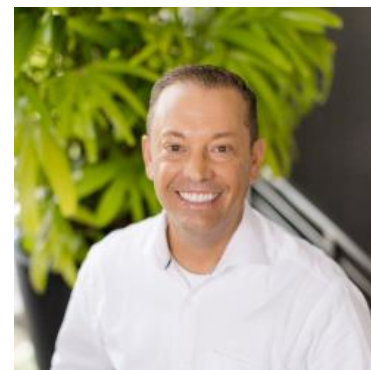
Mortgage rates jumped sharply higher on Tuesday in response to weakness driven by geopolitical events and overseas financial markets. After hitting lows of 5.99% for a few hours on January 9th and spending last week in the low 6's, the average top tier 30yr fixed rate is back up to 6.21% today.

This matches the level seen the day before the announcement of the administration's \$200 bln mortgage bond buying plans. The last time rates were higher was December 23rd.

In light of that announcement, why aren't mortgage rates doing better? Simply put, the market has already reacted to that news to the extent allowed by its transparency. If it were something like the Fed's bond buying initiatives in the past (Q.E. or "quantitative easing," which involved a detailed buying schedule laid out well in advance), it would be easier for rates to drop much more quickly.

As it stands, the market will learn about this new buying plan as it plays out. In practice, this means that there will be certain days where mortgage rates do better than US Treasuries. And then there will be regular days like today, when both are hurting in roughly equal measure.

As always, there's no way to know if today is a sign of additional momentum toward higher rates. It likely depends on the outcome of present geopolitical issues and upcoming economic data.



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