

MORTGAGE RATE WATCH

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Highest Rates in More Than a Month

Mortgage rates moved higher on Wednesday despite only a modest increase in oil prices. The latter is currently a part of any conversation about interest rates as higher energy costs have fueled inflation expectations. Higher inflation begets higher rates, all else equal.

But rates take other cues, or course. One key consideration is that of "supply." In other words, how many new dollars of debt are being issued--not just by the U.S. government, but across the entire bond market.

At present, government issuance is high and only expected to get higher. Even though congressional approval is ultimately required, armed conflict can increase expectations for future military spending. There's also uncertainty over tariff refunds which would further increase the supply of U.S. Treasuries to offset the lost revenue.

Last but not least, this week brings scheduled Treasury auctions. The market knew about these ahead of time, but on some auction weeks, the results reveal an imbalance between buyers and sellers that increases momentum toward higher or lower interest rates. This week, that momentum has been generally higher.

The net effect on mortgage rates is a conventional top-tier 30yr fixed that is back to February 4th levels on average.



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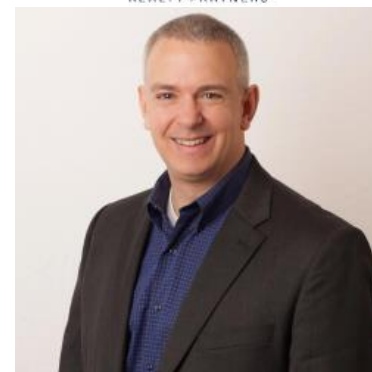
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