

# MORTGAGE RATE WATCH

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A message from Marc Erickson:

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## Mortgage Rates Rise to 2-Week Highs

Mortgage rates moved moderately higher today for the average lender, but not for any exciting reasons. Rather, the change has more to do with timing of the underlying market movement.

While it's true that mortgage rates are directly influenced by the bond market, mortgage lenders prefer to set rates once per day. From there, they will occasionally make adjustments if the bond market experiences enough volatility. The catch is that lenders are less likely to adjust rates the later it is in the afternoon and if the bond market has been changing steadily/gradually.

With all that in mind, yesterday saw a steady, gradual decline in the bond market that persisted into the late afternoon. As such, most lenders didn't go to the trouble of adjusting rates yesterday. In other words, the average lender was already planning on raising rates a bit this morning even if the bond market started the day flat. But bonds lost even more ground this morning (before lenders decided on rates for the day).



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Bottom line, lenders were tasked with adjusting for 2 days of modest weakness all at once. The result is a move that is bigger than the average recent day, but not because the underlying market movement was bigger or more volatile than average.

