Mortgage Rates Surge Higher as US Considers a Longer Blockade

Mortgage rates jumped higher today at the fastest pace in weeks to the highest levels since March 30th. There were two key motivations for the increase, but one accounted for a vast majority of the damage.

News came out overnight that spoke to the possibility of a prolonged blockade of the Strait of Hormuz. Markets took this seriously because it involved conversations with oil executives to assess the the impact of a prolonged blockade on domestic energy markets and fuel prices. Bond yields (which correlate with rates) and oil prices lurched higher again this morning after a White House official reiterated/corroborated the overnight news.

The supporting actor in today's rate drama was the Fed announcement. While the Fed didn't hike rates, 3 voters voiced their opposition to the wording of the Fed's statement because it tacitly implies the Fed is more inclined to cut rates vs hike them in the near future. Those 3 voters would prefer to indicate that rates could go either way depending on inflation and the economy.

The market took this as a minor negative indication for rates. Measuring in terms of 10-year Treasury yields, more than 80% of today's rate spike was in place before the Fed announcement came out.

The average mortgage lender is back to 6.50% for top tier 30-year fixed scenarios, up from 6.38% yesterday. Most lenders made mid-day adjustments to even higher rates as the underlying bond market continued to suffer into the afternoon.

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