

Mortgage Rates Jump After Strong Jobs Report

Over the past three months, mortgage rate movement has been driven primarily by developments in the Iran war. It's not that war, itself, is a consideration, but rather the implications for fuel prices and inflation. Bonds care deeply about inflation and interest rates are based directly on bonds.

When inflation isn't raging (or at the risk of raging), rates/bonds spend most of their time thinking about the economy. Lately, the data has been even-keeled enough that it hasn't had enough of an impact to override the war's inflation-related volatility, but today was an exception.

The jobs report not only crushed expectations, but it revised the past 2 reports sharply higher as well. The net effect is that the labor market looks more like it's finding its footing (possibly even accelerating) and less like it is still in the downtrend that characterized the post-covid normalization.

If all that was confusing, here's the simple version. More people got jobs than expected and the market didn't like it because it removes any argument in favor of the Fed cutting rates. Fed rates don't equal mortgage rates, but Fed rate expectations for the future cause mortgage rate movement in the present (and Treasury movement, and stock market movement, etc.).

On a bright note, even after today's rout, the average lender remains under the highs seen on May 19th. The Iran war is still the most important input for rates, and a confirmed peace deal would still provide relief.

Ian Overcarsh

Mortgage Banker, First National Bank

www.fnb-online.com/.../overcarshi

M: (704) 650-1922

overcarshi@fnb-corp.com

401 S. Graham Street

Charlotte NC 28202

1065792

