MORTGAGE RATE WATCH

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Mortgage Rates Roughly Unchanged Versus Friday's Lows

After bottoming out around 6.5% in late June, mortgage rates moved steadily higher this month, ultimately hitting 6.85% last Thursday--the highest level in over a year. There was a modest recovery on Friday with a fair amount of intraday changes from the average mortgage lender.

Because rates are based on bonds, it's worth noting that bonds are in better shape today compared to Friday's latest levels. But if we use Friday's stronger mid-day levels as a baseline, bonds are just barely stronger. As such, it's no surprise to see mortgage rates just barely lower.

The key consideration for the bond market over the weekend was the announcement of a pause in the fighting in Iran. This helped oil prices move lower, thus lowering inflation implications and bond yields. This is the financial market's way of saying interest rates can also come down.

The caveat is of course that a resurgence of fighting in Iran could cause oil and inflation expectations to rise again, thus putting renewed pressure on rates. In addition, Wednesday's Fed announcement is also a potential source of volatility. The Fed is not expected to hike or cut, but the market is less convicted than normal about the Fed's likely course of action. That means the result will be somewhat surprising to a larger share of the market than normal, and that's a recipe for volatility.

John "Demo" Lender

VP of Lending, Demo Mortgage Co.

mbslive.net
P: (704) 555-1212
M: (407) 555-1234

10014 Normal Blvd.
Charlotte NC 28044

NMLS: 123456

LOREM IPSUM
YOUR COMPANY SLOGAN

Christina "Demo" Realtor

Managing Partner, Real Estate Company, LLC.

mbslive.net
P: (704) 555-1212
M: (980) 555-1212
social+test@mbslive.net

12954 S. Broad St.
Charlotte NC 28031

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