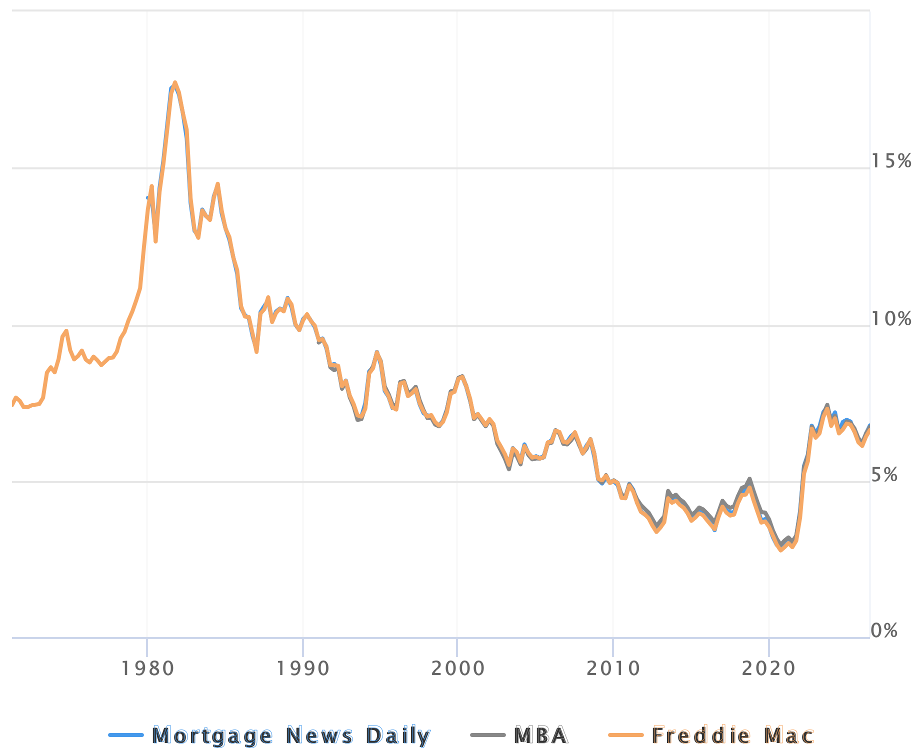
Mortgage Rates Back at 3 Week Lows

Mortgage lenders set rates around 10am ET every day, but the bond market dictates the day to day changes, and bonds were on the move throughout the overnight trading hours. Granted, the movement wasn't extreme, but much like yesterday, it suggested a bit of optimism heading into this morning's main event: the release of July's Consumer Price Index (CPI).

CPI is one of the two big inflation reports on any given month (the other being PCE) and it has more potential to cause a reaction because it comes out 2 weeks before PCE. Given that last month's CPI showed a sharp drop in inflation and that July's fuel prices had bounced back up, the market was very focused on what the data would actually reflect.

As it happened, forecasters nailed it. All the top-line numbers were right in line with consensus estimates. This is apparently the result that the bond market had been positioning for. There was no additional improvement in bonds after the data, but arguably a fair amount of improvement in anticipation of just such a result.

The net effect is that the average top-tier 30yr fixed rate returned precisely in line with the 3-week lows seen last Friday.



Dena Rodriguez
Mortgage Banker, The Federal Savings Bank
www.thefederalsavingsbank.com/denarodriguez
P: (314) 451-2484
M: (830) 310-4939
drodriguez@thefederalsavingsbank.com
1 South 4th Street
Columbia MO 65201
1250387