# Why Mortgage Rates Didn't Fall as Much as 30yr Bonds Today

Mortgage rates dropped on Wednesday due to a combination of lower oil prices and the announcement of changes to Treasury's bond buyback program.

The oil price angle is easy to understand. Throughout the war, higher fuel prices have caused volatility in inflation expectations and inflation is a critical consideration for bonds/rates.

The Treasury buyback news is more complex and highly oversimplified by the average piece of media coverage. Here are the details that matter:

- The original buyback program began in 2024 under the Biden admin when Yellen was the Treasury secretary
- It is not quantitative easing or "new money creation."
- Treasury gets money from issuing bonds or via other federal receipts (taxes, tariffs, etc)
- The program was continued/expanded under Trump/Bessent
- Today's announcement increased the amount of longer-term Treasuries that can be purchased in any given scheduled buying operation.
- The goal of the program is to promote smoother functioning of the financial market, but it has a tangential benefit to certain interest rates.
- Because today's announcement focused on longer-term Treasuries, longer-term rates/yields fell the most. Shorter-term rates actually moved up (which makes sense because the money to buy more long-term bonds technically comes at the expense of short-term bonds, all else equal).

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On major catch for 30yr fixed mortgage rates is that the average mortgage-backed bond for those rates only typically lasts 5-7 years  on average. So even though a mortgage CAN last for 30 years, the market treats them more like 5 year bonds because "duration" is everything when it comes to bond market valuation. All that to say: mortgage rates fell, but not as much as 30yr bonds (which fell A LOT today).