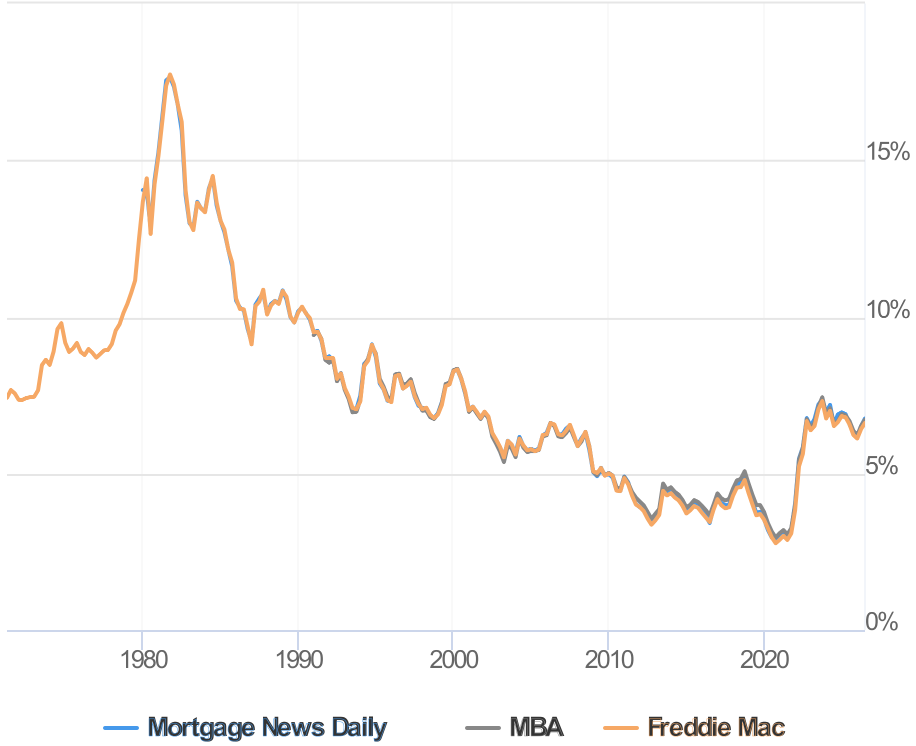
Mortgage Rates Jump to 3-Week Highs After Jackson Hole Speech

Jackson Hole is a place in Wyoming, but it's also shorthand for an annual event where various central bankers get together and talk about monetary policy. The Fed Chair almost always delivers a speech and that speech occasionally causes volatility in the bond market. This year was a classic example.

Fed Chair Warsh's speech focused on inflation remaining too high and on the Fed's commitment to getting inflation back down to 2.0% as measured by the annual change in the PCE Price Index (currently at 3.7%). Even if we use the most charitable methods to estimate annual PCE prices, the index would still be in the 2.4-2.6% range.

Those details don't really matter for today, however. What matters is that the market took away a hawkish message from Warsh and the bond market reacted immediately. Mortgage rates were fairly flat before that, but the average lender increased mortgage rates in response to the bond market movement seen after Warsh's speech.

The net effect was a move up to 6.81% for the average top-tier 30yr fixed rate--the highest in just over 3 weeks.



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