MORTGAGE RATE WATCH

Daily Coverage. Industry Leading Perspective.

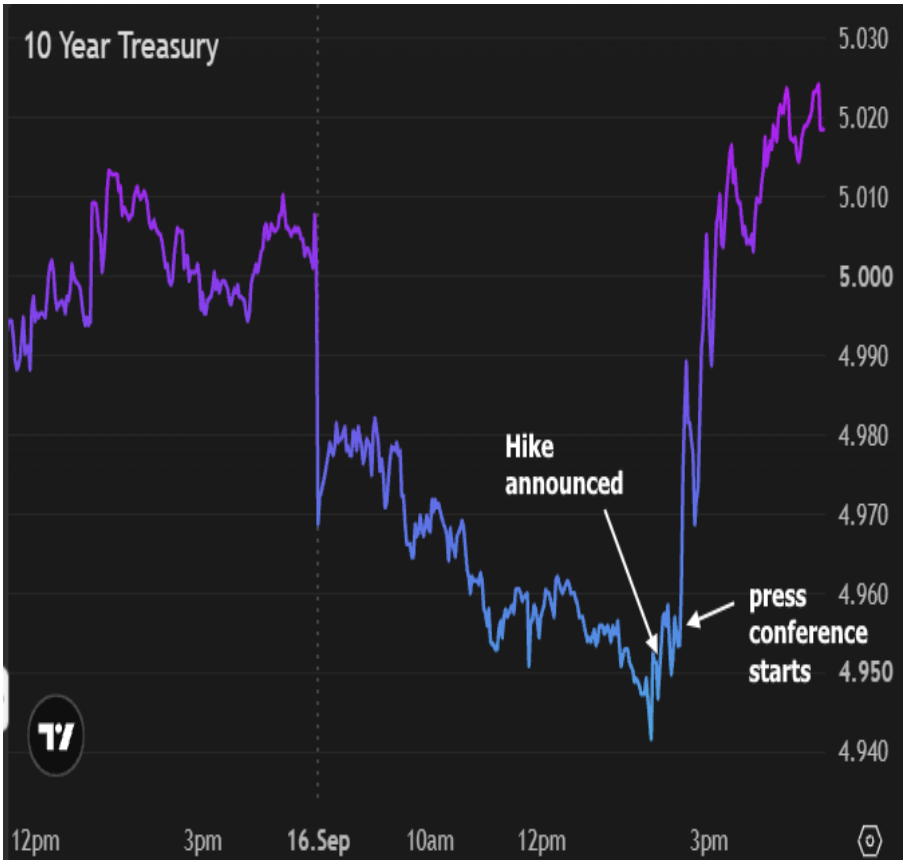
A message from Tan & Samantha Tunador:

If you are ready to explore homeownership, lets open up a conversation to help you navigate the best route for you with down payment & monthly payment options. Finance programs are unique like you and one size does not fit all. The next step is a simple online application so that we can get you preapproved and ready to look for the perfect home. Unlike shopping for a car or rental applications, the credit pull to buy a home is not a derogatory. Homeownership and wealth building is the goal for all. Would you like to schedule time to chat? If you are a Realtor, would you like this calculator co-branded?

No, The Fed Didn't Hike Mortgage Rates Today

Mortgage rates are definitely higher today--the highest since January 13th, 2025. Today's Fed announcement had something to do with that. But while the Fed hiked the Fed Funds Rate, that had NOTHING to do with mortgage rates moving higher this afternoon.

In fact, this is very easy see on a chart of bond market movement. We can use 10yr Treasuries as a more active proxy for the bonds that underlie mortgage rate movement. The Fed hike was not only almost 100% priced into financial markets, but it had no major impact on bonds when it was announced at 2pm. It wasn't until 2:30pm--when Fed Chair Warsh's press conference began--that rates started having a bad day.



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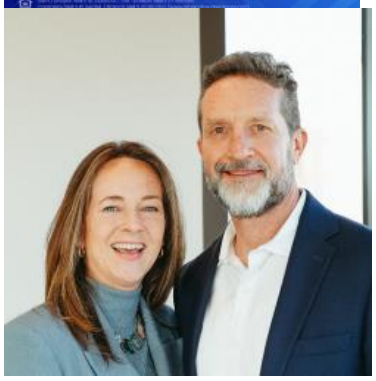

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A Federal Reserve that's committed to fighting inflation is ultimately a good thing for interest rates in the longer term. The market clearly agreed that it was even a good thing in the short term at first. But when it saw just how committed Warsh was during the press conference, traders adjusted fairly quickly.

Why?

Warsh had to option to use the press conference to characterize today's rate hike as some sort of "close call" made out of "abundance of caution" over the inflation outlook. Instead, he said the economy was strong, inflation hadn't made any real progress recently, and that the Fed needed to "remove some accommodation" from the economy. That last part suggests the Fed views current rates as accommodative (i.e. they promote higher prices and economic growth, all else equal).

Moreover, removing "some" accommodation implies there's more to be removed. So markets not only had to digest today's singular rate hike (something they'd arguably already done before today), but also to account for the likelihood of additional hikes in the near future.

Again, this is indeed likely what's best for mortgage rates in the longer term. The question is how long it takes for that to become evident in the outright level of rates themselves. Had today been a half-hearted rate hike, we could be talking about a time frame like "tomorrow." As it stands, it could take longer. Either way, it will also depend heavily on the Iran war and other factors with highly uncertain timelines and wide distributions of potential outcomes.

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