

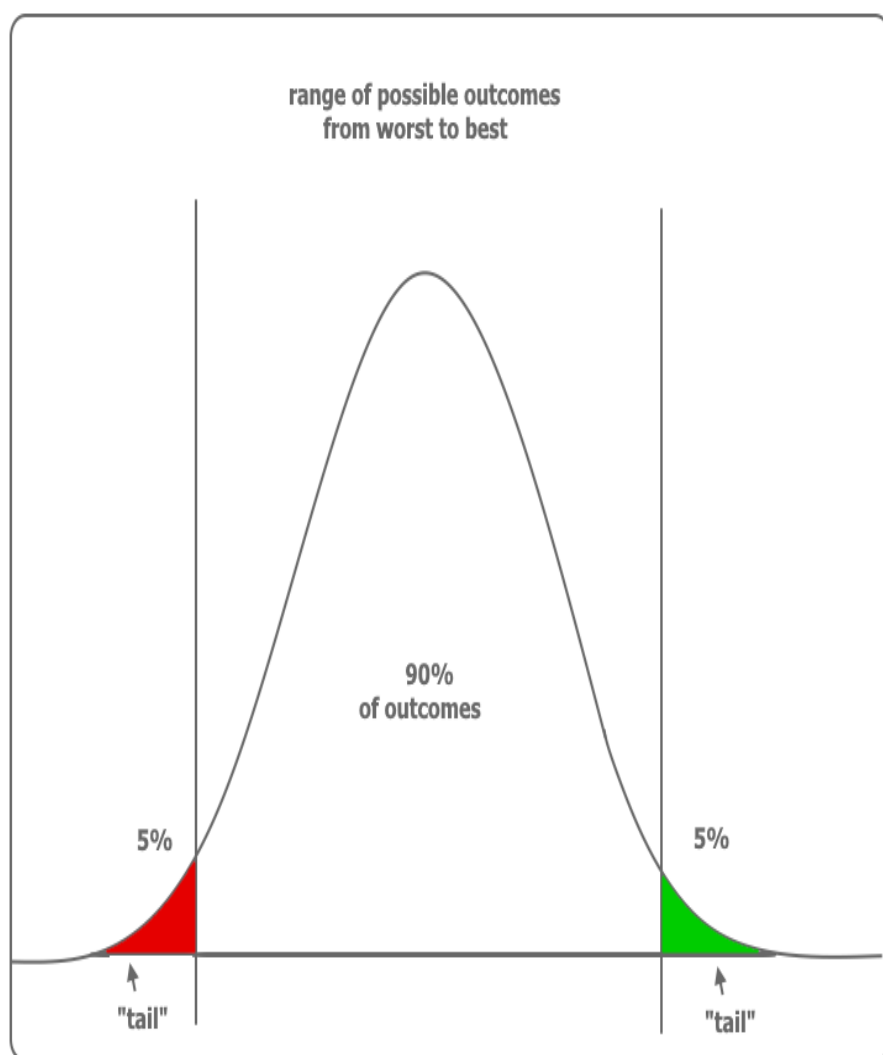
MORTGAGE RATE WATCH

Daily Coverage. Industry Leading Perspective.

Mortgage Rates Match Highest Level Since May 2024

The day began like many others over the past several weeks. Bonds hadn't moved much overnight, but were paying some attention to slightly higher oil prices. 10yr Treasury yields were still in the familiar September range between 4.93% and 5.01%, and there was limited economic data on tap that threatened to upset the apple cart.

Now let's talk about tail risk. It refers to a distribution of potential outcomes for something that can be reasonably forecasted with a margin of error. A vast majority of the outcomes fall in the main body of the parabolic distribution, but occasionally, an outcome will fall at one of the tails.



While this week's economic calendar is indeed very light, today's lineup included a report that can have a big impact on rates on very rare occasions. The results of that report were so much stronger than expected as to constitute "tail risk" territory.

Ian Overcarsh

Mortgage Banker, First National Bank

www.fnb-online.com/.../overcarshi

M: (704) 650-1922

overcarshi@fnb-corp.com

401 S. Graham Street

Charlotte NC 28202

1065792



Lillian Isaac

NC/SC Broker, Realtor®,
SRES License NC/SC
General Contractor |
Author, Lillian Isacc Realty

LillianIsaacRealty.com

P: (704) 492-8706

lillian@lillianisaacrealty.com

6277 Carolina Commons Dr. #363
Indian Land SC 29707

This is a particularly bad time for such tail risk as far as the rate market is concerned. Only yesterday, we had Fed speakers reminding us that if the economy proved to be hotter than expected, the rate hike outlook shared at least week's Fed announcement would be "too low." Today's data immediately forced the market to consider the risk that next week's data (which is much more important) conveys a similarly strong message.

The result was a rapid shift in Fed rate expectations for next year. While longer term rates don't react to a Fed rate hike after the fact, they're more than willing to react to changes in rate hike expectations. 10yr Treasury yields jumped over 5.1% and the average top-tier 30yr fixed rate jumped 0.09% to 7.26%. This matches the high seen in early 2025. At this point, we'd have to go back to May 1, 2024 to see anything higher.

