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Mortgage Rates Higher, Volatility Looms

Mortgage rates **continued higher** for the 2nd straight day after hitting the lowest levels in more than 7 months earlier this week. Wednesday's big move lower was a direct result of political headlines relating to potential wrongdoing in communications between Trump and former FBI Director Comey concerning the FBI's investigation into former National Security Advisor Flynn's communication with Russia. Specifically, financial markets perked up when a story broke suggesting that the House Oversight Committee could easily demand these records. The most widely-discussed implication (assuming wrongdoing were to be confirmed) was potential impeachment. Several lawmakers went so far as to make promises to that effect via twitter and other media.

What does all this have to do with mortgage rates?

Rates are basically the "yield" portion of "bonds." As bond prices rise, investors are **willing to pay more** for a certain interest rate return. Rising prices mean falling rates.

When **"something scary"** is potentially happening in the economy or the geopolitical sphere, investors tend to seek the relative safety of the bond market. Bonds are liquid (easy to find buyers and sellers). And they often move in the opposite direction from stocks during panic. In other words, if stock prices are falling due to panic, bond prices tend to be rising. Thus, stocks and rates fall together during times of panic (because, again, bond prices move inversely to rates).

With all that in mind, it would seem simple enough to conclude that panic over the potential impeachment made stocks and rates go lower. While that's true to some extent--especially earlier in the week--investors are perhaps **more concerned** that a politcal imbroglio would further delay the fiscal reforms upon which the hopes and dreams of the post-election market movement are built. Basically, impeachment or not, "this doesn't bode well for tax reform and other pro-growth campaign promises."

Markets have moved on from initial panic and are now biding their time--waiting for more information to come from next week's potential congressional testimony from former FBI Director Comey. Between now and then, rates are unlikely to move much lower (they tend to get the biggest benefit on the first day of these panic moves), but they're similarly **not likely** to make a panicked move back toward higher levels. What we're left with is a moderate drift higher over the past 2 days, and risks of a bigger mover some

National Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.43%	-0.02	0.00
15 Yr. Fixed	6.85%	-0.01	0.00
30 Yr. FHA	6.92%	-0.03	0.00
30 Yr. Jumbo	7.63%	-0.01	0.00
5/1 ARM	7.50%	0.00	0.00
Freddie Mac			
30 Yr. Fixed	7.17%	-0.27	0.00
15 Yr. Fixed	6.44%	-0.32	0.00
Mortgage Bankers Assoc.			
30 Yr. Fixed	7.24%	+0.11	0.66
15 Yr. Fixed	6.75%	+0.11	0.64
30 Yr. FHA	7.01%	+0.11	0.94
30 Yr. Jumbo	7.45%	+0.05	0.56
5/1 ARM	6.64%	+0.12	0.87

Rates as of: 4/29

MBS and Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	99.52	+0.15
MBS GNMA 6.0	100.51	+0.16
10 YR Treasury	4.6187	-0.0458
30 YR Treasury	4.7393	-0.0346

Pricing as of: 4/29 11:20AM EST

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time next week.

It's still a good time to **lock** for less risk-tolerant borrowers. More risk-tolerant borrowers can still make a case for **floating** as long as they're ready to bail (i.e. lock) if rates start moving quickly higher. Whatever you do, if you're floating, have a plan in place with your originator regarding the conditions that would justify locking.

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