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A Message from Peter Bethke:

"test...test"

Mortgage Rates in Big Trouble

Mortgage rates are in **big trouble**. Whatever you've read about the current spike so far today, you'll probably need to double it after today's bond market movement. Why? Because most news stories on rates haven't yet accounted for today's bond market movement! The most prevalent source material is Freddie Mac's weekly survey which generally tracks lender quotes from Monday and Tuesday of any given week. The survey showed a 0.07% jump week over week.

The **actual jump** is more like 0.12-.13. The average lender is now quoting 4.375% on top tier 30yr fixed scenarios. More than a few are already up to 4.5%. Lenders quoting rates much lower are likely doing so at the expense of profit margins and that could create sustainability concerns. Moreover, unless you're interacting directly with someone who is in a position to lock a mortgage rate for you right then and there, there's really no guarantee that the information informing any given opinion on rates is still current. In other words, things have been moving quickly. Just because your realtor's mortgage lender friend could easily quote one rate a few hours ago doesn't mean that rate is available now. Keep the volatility in mind if you happen to have a loan in process.

What's up with all the recent drama in rates? Nothing new really... Investors are concerned about increased bond market supply (higher supply = lower bond prices = higher rates) due to fiscal spending initiatives. Because that spending may have a stimulative effect on the economy, investors are also concerned about rising growth and inflation, either of which are bad for rates. OTHER investors are worried about the first group of investors and thus are making trades to try to get ahead of them. This also pushes rates higher. Additionally, global monetary policy seems like it may be on the verge of a unified tightening, much like there was unified loosening in 2008-2015. A removal of policy accommodation means big central banks are buying fewer bonds. Lower demand for bonds = lower prices = higher rates. Finally, some traders are simply reacting to the momentum--selling bonds when rates rise above a certain threshold intraday (again, selling = higher rates), thus creating a snowball effect that pushes rates higher.

National Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	6.43%	+0.02	0.00
15 Yr. Fixed	5.95%	0.00	0.00
30 Yr. FHA	5.82%	+0.02	0.00
30 Yr. Jumbo	6.62%	0.00	0.00
5/1 ARM	6.28%	-0.01	0.00
Freddie Mac			
30 Yr. Fixed	6.35%	-0.51	0.00
15 Yr. Fixed	5.51%	-0.65	0.00
Mortgage Bankers Assoc.			
30 Yr. Fixed	6.44%	-0.06	0.54
15 Yr. Fixed	5.88%	-0.16	0.68
30 Yr. FHA	6.36%	-0.06	0.85
30 Yr. Jumbo	6.75%	+0.07	0.39
5/1 ARM	5.98%	-0.27	0.65

Rates as of: 8/30

MBS and Treasury Market Data

	Price / Yield	Change
MBS UMBS 5.0	99.35	-0.16
MBS GNMA 5.0	99.91	-0.04
10 YR Treasury	3.9039	+0.0424
30 YR Treasury	4.1932	+0.0468

Pricing as of: 8/30 5:59PM EST

The bottom line is that there is a big, pervasive uptrend in rates that's been intact since mid December. Floating and hoping for a bounce is not the right strategy at the moment, even though it will end up looking like a good idea in hindsight one of these days. We need to see a substantial push back in the other direction--and one that lasts for more than a day or two--before considering the uptrend may be getting tired.

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