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Mortgage Rates Highest Since July After Jobs Report

Mortgage rates leaped significantly higher today, following an exceptionally strong jobs report. Typically released on the first Friday of every month, the Employment Situation is the most important piece of economic data in the world (yes, the world). At the very least, it has more power to move financial markets than any other economic report. It flexed those muscles today, to be sure, but not necessarily for the regular reasons.

Normally, the jobs report is a market mover simply because of its relevance to the broad economic trends. Bottom line, if the economy is creating more jobs than expected, then it's a bit stronger than we thought it was yesterday, so yesterday's bond yields (aka "rates") and stock prices need to move higher in order to align with the brighter outlook.

While there is some of that traditional impact in play today, the **real power** in today's data was its implications for Fed policy. We know the Fed has been increasingly serious about telegraphing a rate hike in December, but many market participants thought the Fed might hold off if today's jobs report was weak. "Market participants" (aka traders, investors, money managers) are ultimately responsible for how rates will move because they're constantly deciding how to trade the mortgage-backed-securities (MBS) that dictate mortgage rates.

Their takeaway from today's jobs data was clear: there is **very little room** left to doubt that the Fed will be hiking rates in December. This resulted in an extension of what has already been a big move higher, bringing mortgage rates in line with the highest levels since July. Most lenders are now quoting at least 4.0% on conventional 30yr fixed scenarios, with many moving up to 4.125% today.

It's **tempting** to hope that such a forceful move higher will soon result in some pressure being released. Indeed it is common for these sorts of spikes to take a day or two off after moving in the same direction for a certain number of days. You could get lucky if you time one of those bounces correctly, but we haven't seen quite enough damage to be sure we'll get such a break just yet. Consequently, the **risk of floating** still outweighs the reward.

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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	99.37	+0.02
MBS GNMA 5.0	99.93	+0.02
10 YR Treasury	3.9068	+0.0029
30 YR Treasury	4.1960	+0.0028

Pricing as of: 9/1 7:34PM EST