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No, Mortgage Rates Aren't Based on 10yr Treasury Yields

Mortgage rates have been putting on a rather **frustrating and exciting** show in the month of August. On the one hand, they're at or near their lowest levels in 3 years. On the other hand, they're not nearly as low as you'd expect them to be based on movement in markets that almost always track mortgages in lock-step.

The 10yr Treasury yield, above all other interest rates has long been thought to dictate mortgage rate movement. That's a complicated thesis to evaluate, because it's true and false at the same time. It's certainly true that Treasuries set the tone for almost any interest rate in the US. They're like an **aircraft carrier** and other rates are like planes, helicopters, soldiers, rafts, boats, and unmanned submersibles that are along for the ride. At any given time, mortgage rates may or may not be on the deck of the USS 10yr Yield, but as long as the seas are calm, they're generally not far.

In rare cases, the USS 10yr can move too quickly or erratically for mortgages and the latter can jump ship and opt to follow along in their own little row boat. The **faster** the big boat moves and the more **erratically** it moves, the **harder** it is for the little boat to catch up. If things are crazy enough, the little boat may just camp out on a convenient nearby desert island until the volatility blows over. That's basically where we are now when it comes to the mortgage vs Treasury relationship.

Of course there are factual and objective underlying reasons for this, but it's much easier to understand in terms of the analogy. The net effect is that the bonds that **actually** dictate mortgages (Mortgage-backed-securities or MBS) **haven't** made it to any better levels than they saw on August 5th. In fact, they didn't even make it past **yesterday's** best levels today, even though 10yr yields hit a low of 1.471% after yesterday's low of 1.508% (US hours). The net effect of that net effect is that mortgage lenders simply don't have much to work with when it comes to pushing rates any lower. Even if they did, it would still be slow going because mortgage lenders have a similar relationship with MBS as MBS have with Treasuries.

Bottom line: rates aren't as low as you think they should be if you're a person who follows the 10yr. And it's going to take weeks if not months for the mortgage market to hop in its dinghy and row row row back toward the big boat.

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National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.30%	+0.12	0.00
15YR Fixed	6.92%	+0.09	0.00
30YR FHA	6.89%	+0.07	0.00
30YR Jumbo	7.40%	+0.03	0.00
7/6 SOFR	6.80%	+0.31	0.00
30YR VA	6.90%	+0.07	0.00

Rates as of: 11/10

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	99.43	-0.62
10 YR Treasury	4.9860	+0.0952
30 YR Treasury	5.3557	+0.0737

Pricing as of: 11/10 5:59PM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Oct 28	192.6	-1.23%
Building Permits	Sep	1.4M	+0.43%
Housing Starts	Sep	1.22M	-4.24%
New Home Sales	Sep	676K	-1.17%
Pending Home Sales	Aug	71.2	0%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Oct	29	-9.38%

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Expert Advice | Exceptional Service | Flawless Execution

With 27+ years of expertise in mortgage banking you can be confident in my knowledge and abilities to deliver a seamless loan transaction while providing personalized service.

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