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Mortgage Rate Pain on Par With Taper Tantrum

Mortgage Rates **continued a relentless move higher today,** as financial markets continue rapidly adjusting the price of new realities (more on that in a moment). The average 30yr fixed rate quote surged another eighth of a point today (a huge move, relative to the average 24 hours), bringing the 2-day total to 0.25%. That's nearly unheard of in modern economic history.

(NOTE: There are several articles floating around today that say rates have only risen 0.03% week-over-week. These are based on Freddie Mac's weekly survey which has not yet captured the volatility of the past 2 days, due to its sampling methodology).

The last time rates moved a quarter point higher in 2 days was during the throes of the taper tantrum in mid-2013. Incidentally, the following 2 days also saw a **quarter point spike**, bringing rates a total of 0.5% higher in 4 short days. Those were the worst 4 days for mortgage rates on record.

It's **fairly scary to consider**, then, that the past 2 days have matched the first 2 days of that 4-day run in 2013. In other words, we're on pace for a repeat. Now, having said that, I think a full-on repeat is unlikely. The adjustment to the price of 2013's realities was a much bigger deal than the current adjustment should be.

So what's all this about the **price of new realities?** You may have heard the term "repricing of risk" in financial media before. It refers to the rapid introduction or realization of new information that promises to change long-term assumptions about how rates will move. In 2013, the new information was that the era of Fed bond buying was coming to an end. Thus, markets had to reprice the big-picture value of bond markets absent Fed participation.

In the current case, markets are repricing that same big-picture bond market outlook based on a Trump presidency and GOP-controlled congress. The problem is that **markets have to GUESS**, to a large extent, when it comes to the policies that Trump might enact, and the extent to which the legislative and executive branches will work collaboratively. Unfortunately, most of the best guesses out there are BAD for bonds. Higher spending, lower taxes, protectionist trade policies, and deregulation all add up to inflation, and inflation is the mortal enemy of bonds and low rates. Granted, there are a few other moving pieces here, but this phenomenon of markets guessing at the implications of the election (and repricing the outlook accordingly) is the driving force behind the past 2 days.

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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Fortunately, this sort of repricing is likely to be shorter-lived than the taper tantrum was in 2013. **Unfortunately**, that doesn't mean rates will simply come surging back to previous levels. We're definitely looking at an actual repricing of risk here (as opposed to a knee jerk reaction to the election). It would take a new, equally massive motivation for the repricing to occur in a more friendly direction. Until then, a bounce lower isn't out of the question. Indeed, that can often happen as a bit of a corrective move to the initial flood of these "repricing surges," but there's no guarantee it will be very big or that rates couldn't continue higher before it happens.

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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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