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February Easily The Worst Month For Rates in Long Time

There are still 4 business days left in the month of February and thus still 4 days for the bond market to undergo an **epic** recovery that helps mortgage rates come back down. But traders and market-watchers alike have pined for--if not outright expected--such a recovery several times in the past few weeks only to be **disappointed**. Merely avoiding additional rate spikes would be a victory at this point.

Even if we can manage to avoid further rate spikes, February will still go down as the **worst month** for rates since January 2018 (March 2020 was worse at face value, but it's not really a fair comparison due to the unprecedented bond market reaction to the pandemic).

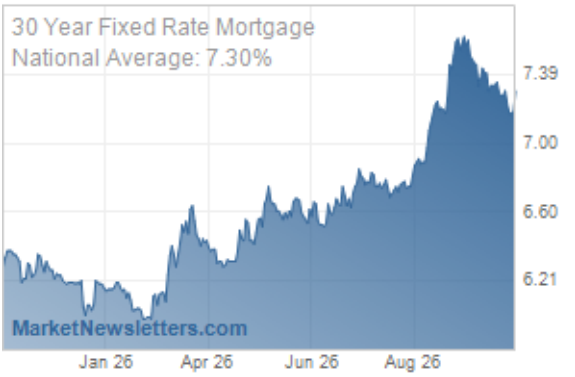
Some back-of-the-napkin math (OK, it's actually more official than that) shows the average lender charging **at least a quarter of a percent** more today than at the end of January. Depending on the initial rate quote, today's rates are .375% higher in many cases.

Why are rates suddenly rising so quickly?

That's a simple question with a lengthy answer. Last week's commentary goes into **greater detail** to answer it, but the short version is that the bond market has been pointing toward rising rates since August 2020 and the most recent increases merely represent a bit of an acceleration of that process. As for the reasons underlying that reason, here are a few bullet points for those not inclined to click the link above:

- Bonds/rates initially accounted for a bleak reality in mid-2020 and that reality grew less threatening in some ways by the end of the year, and significantly less threatening in 2021
- Case counts are plummeting in 2021 and vaccine distribution--while not perfect--is going fairly well (60mln+ doses so far)
- Fiscal stimulus prospects increased dramatically with the democratic sweep of congress in early Jan, and fiscal stimulus puts obvious upward pressure on rates
- inflation metrics have been causing conversations about inflation returning to the stage as threat to interest rates after more than a decade being extremely subdued
- economy doing better than many expected with respect to adapting to covid-related restrictions
- Optimistic attitudes about people being able to return to the

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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workforce in greater numbers after widespread vaccine distribution and a return to full-time in-person schooling.

- generally stronger economic data despite recent lockdowns
- the belief that a combination of fiscal and monetary stimulus will continue to underpin economic resilience and inflation
- the certainty that the Fed will buy fewer bonds as soon as the economy justifies the shift, thus inciting a "taper tantrum" part 2.

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