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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

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.45%	-0.07	0.00
15 Yr. Fixed	6.86%	-0.05	0.00
30 Yr. FHA	6.95%	-0.05	0.00
30 Yr. Jumbo	7.64%	-0.04	0.00
5/1 ARM	7.50%	-0.05	0.00
Freddie Mac			
30 Yr. Fixed	7.17%	-0.27	0.00
15 Yr. Fixed	6.44%	-0.32	0.00
Mortgage Bankers Assoc.			
30 Yr. Fixed	7.24%	+0.11	0.66
15 Yr. Fixed	6.75%	+0.11	0.64
30 Yr. FHA	7.01%	+0.11	0.94
30 Yr. Jumbo	7.45%	+0.05	0.56
5/1 ARM	6.64%	+0.12	0.87

Rates as of: 4/26

MBS and Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	99.37	+0.30
MBS GNMA 6.0	100.35	+0.27
10 YR Treasury	4.6645	-0.0394
30 YR Treasury	4.7739	-0.0400

Pricing as of: 4/26 5:05PM EST

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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