

# Short Term Direction of Mortgage Rates Dependent Upon Auctions and Stocks

By: Victor Burek | Mbn, Feb 8 2010, 1:43 PM

Who Dat!!!! Congratulations to New Orleans on a well played and exciting Super Bowl victory.

Mortgage rate moved a few basis points lower on Friday following the [Employment Situation Report](#). While we have seen scattered day over day streaks of improvements, mortgages rates have failed to fall lower than 4.75% in 2010. To remind readers, as mortgage-backed securities prices move higher in price lenders are able to pass along better rates.

After what seemed like a steady flow of important economic data and market moving headline news last week, the data schedule slows down in the days ahead, but headline news is always a possibility.

In terms of scheduled events, no economic reports are being released today or tomorrow. On Tuesday we have the first of three mortgage rate influential Treasury debt auctions to occur this week. With the amount of debt issuance (supply) already known, market participants will determine the success of the auction based on investor demand for our nation's debt. Strong demand for our debt is one of several factors that have attributed to mortgage rates holding near record low levels despite record borrowing. AQ draws attention to the source of last week's stock market weakness as a possible hint toward this week's auction demand. With the health of European foreign government finances in question, it is possible global investors will look toward US government debt as a safe haven. If demand for these risk free government securities is high, it would be supportive of mortgage rates holding near current levels. If demand is not strong, it may imply that the recent stock market sell off is due a recovery, which could pressure mortgage rates higher.

## [See Rates from Lenders in Your Area](#)

With very little planned data hitting the news wires this week, **these auctions (and the possibility of unexpected headline news) will probably have the largest impact on mortgage rates**. Below is the auction schedule. All auction results will be released at 1 PM Eastern.

Tuesday: \$40 billion 3 year notes

Wednesday: \$25 billion 10 year notes

Thursday: \$16 billion 30 year bonds

Ben Bernanke is expected to discuss the Federal Reserve's plan to exit the marketplace this week as well. This has the potential to move interest rate. [HERE](#) is a recap of events for the WEEK AHEAD

Reports from fellow mortgage professionals indicate lender rate sheets to be similar to Friday. The par 30 year conventional rate mortgage remains in the 4.75% to 5.00% range for well qualified consumers. To secure a par interest rate you must have a FICO credit score of 740 or higher, a loan to value at 80% or less and pay all closing costs including an estimated one point loan origination/discount/broker fee. You may elect to pay less in upfront costs but you will have to accept a higher interest rate.

To lock or float?

Nothing has changed from Friday. Mortgage rates continue to run into a floor at 4.75%. This has held true all month! My lock bias is based on the big picture outlook. Barring a major shift in sentiment that drives benchmark Treasury yields lower, mortgage rates should move higher in months to come. While floating day to day can result in small reductions in borrowing costs, the risk of rates rising is large. This is long term guidance.

If you are looking to continue floating, keep an eye on the stock market. If stocks extend recent weakness I wouldn't be totally against floating overnight, but again I point out the 4.75% floor we appear to have hit in mortgage rates. On the other hand, if stocks rally, money will flow out of the fixed income sector which would most likely lead to worse mortgage pricing and higher rates. This highlights why we continue to advise locking: the amount of risk associated with floating are not justified by the possible reward. There is still much more room for rates to rise than to fall.

What are your thoughts on locking vs floating?

View this Article: <https://www.mortgagenewsdaily.com/markets/02082010-retail-sales>