Worst Day For Mortgage Rates in Over 3 Years

By: Matthew Graham | Wed, Nov 9 2016, 4:38 PM

Mortgage Rates skyrocketed today, relative to their average range of movement. It was the single biggest move higher since the days of the taper tantrum in mid-2013. Virtually all lenders are quoting conventional 30yr fixed rates that are at least an eighth of a point higher versus yesterday. Over the past decade, you can count single-day eighth-point moves without using any toes. Some lenders were a quarter point higher, which has only happened a few times, ever.

The source of the drama is the market's **paradoxical reaction to Trump's victory.** Before the election, news that benefited Trump generally benefited rates. This was logical because Trump connoted uncertainty and rates tend to benefit when investors seek shelter from uncertainty by buying bonds. Indeed, bonds' first move was tremendously positive when Trump pulled ahead overnight. Everything was going according to plan, and those of us burning the midnight oil expected decent improvements in rates this morning.

See Rates from Lenders in Your Area

But the **positive narrative unraveled** before sunrise. According to the negative narrative, Trump's claimed policy goals stood a greater chance to hurt bond markets and push rates higher in the long-run. That negative narrative wasn't a new concept, but very few market participants expected it to steal the show so quickly. Once traders find themselves on their heels in the face of unexpected momentum, the only course of action is to turn around and run with that momentum indefinitely.

Bottom line, this is what financial media often refers to as a capitulation trade. "OK, so we're going to go with higher rates on the Trump Victory? OK, I'll sell some bonds too then!" When tension and market volumes are running high, and when every trader wants to sell bonds, things tend to move quickly.

The natural question: **was that it? Is it over?**

You'll see some difference of opinions below, but as I've said and will continue to say, assume the broader uptrend in rates will continue until we have definitive proof that it's over. Some past precedent suggests we could get a bounce here, but the other past precedent is fairly scary. In this case, the scary eventualities are scarier than the hopeful eventualities are hopeful--at least for now. There's a reason the "ongoing lock/float consideration" haven't changed in weeks.

Loan Originator Perspective

We've had our worst day in a while today the day after a shocking result in the Election put financial markets into disarray and mortgage pricing substantially worse. If I were closing soon I think locking is the prudent thing to do. If you have a longer time frame (45 days +) to closing you might benefit by waiting for a rebound from this sell off but the sell off may very well continue so I would have my finger poised on the trigger to lock quickly if negative momentum continues. As always, your personal risk tolerance should be your guide. -**Hugh Page, Mortgage Banker, SeacoastBank**

It's been apparent since September that rates were trending slowly upward. Today "slowly' turned to "rapidly" in the blink of an election. Popular expectations were for a Trump victory to help bond markets, but, like the election itself, the unexpected happens. We've broken through serious support levels, and are at levels last seen in March. Who knows where we head from here, but floating remains a high risk, low reward proposition. -**Ted Rood, Senior Originator**

Wow…just wow. Didn't see this move coming from a Trump victory. A Trump victory was supposed to create uncertainty which favors bonds and causes stocks to sell. Instead, we got the complete opposite. It sure feels overdone. At this point, I would favor floating overnight to see if traders come in tomorrow feeling better about buying treasuries. -**Victor Burek, Churchill Mortgage**

Days like today stink for all of us rate watchers. We would've expected selling with a Clinton victory, but not these results with Trump winning. Last time we saw rates move like this in a single day was the "taper tantrum", or the official announcement of the end of QE3 bond buying. No clear indication for today's selling from fundamental factors, no new data, but certainly someone is saying a lot about the perception of our new president elect. On the bright side, the sell-off will top out, and we will be able to see where rates will settle. I heavily favor floating through the carnage, we may have a few more days of heavy selling for the next week or so, but ultimately we should retrace back into the pre-election range (1.70's-1.80's on the 10 YR)....just my opinion of course. -**Gus Floropoulos, VP, The Federal Savings Bank**

Today's Best-Execution Rates

- 30YR FIXED - 3.75%
- FHA/VA - 3.5%
- 15 YEAR FIXED - 3.0%
- 5 YEAR ARMS - 2.75 - 3.25% depending on the lender

Ongoing Lock/Float Considerations

- Rates have generally been trending higher since hitting all-time lows in early July
- Clearly-defined uptrends provide higher-than-average motivation to lock
- Risk-takers can try to time the dips in rates that may occur during that broader uptrend, but the reward for good timing generally isn't worth the risk in these situations.
- We'd need to see a sustained push back toward lower rates (something that lasts more than 1-3 days) before anything less than a cautious, lock-biased approach makes sense for all but the most risk-tolerant borrowers.
- *As always, please keep in mind that the rates discussed generally refer to what we've termed **'best-execution'** (that is, the most frequently quoted, conforming, conventional 30yr fixed rate for top tier borrowers, based not only on the outright price, but also 'bang-for-the-buck.' Generally speaking, our best-execution rate tends to connote no origination or discount points--though this can vary--and tends to predict Freddie Mac's weekly survey with high accuracy. It's safe to assume that our best-ex rate is the more timely and accurate of the two due to Freddie's once-a-week polling method).*

View this Article: https://www.mortgagenewsdaily.com/markets/mortgage-rates-11092016