Mortgage Rates Surge Lower

By: Matthew Graham | Thu, Nov 29 2018, 4:28 PM

Mortgage rates surged lower today, falling at the fastest single-day pace in more than a year. In order to see the average lender offer lower rates, you'd need to go back to October 2nd at least. For many lenders, it would be a few weeks before that. Granted, this merely restores rates to what had been 7-year highs at the time, but you know what they say about journeys of 1000 steps and what not...

Much of the improvement was driven by an ongoing reaction to a speech by Fed Chair Powell from yesterday. Markets perceived Powell as softening his stance on rate hikes. US markets reacted to that yesterday, but European and Asian markets took their turn overnight. The opening levels in US markets (which have a bearing on mortgage rates) are **heavily influenced** by overseas trading during the night. The bigger the overseas movement is, the bigger the domestic effects can be.

See Rates from Lenders in Your Area

With all of the above in mind, bond markets began the day in the strongest territory since mid-September. Given that US markets had already undergone their reaction to Powell, bonds began to erase some of the overnight gains. Most lenders **didn't** end up raising mortgage rates to account for that market weakness, so it will be passed along with tomorrow morning's rate sheets unless there's another big market move overnight.

Loan Originator Perspective

Just when it looks like we might break lower, bonds bounce. With the improved pricing this morning, my clients are favoring to lock in these gains. **-Victor Burek, Churchill Mortgage**

Today's Most Prevalent Rates

- 30YR FIXED - 4.875%
- FHA/VA - 4.375%-4.5%
- 15 YEAR FIXED - 4.375%
- 5 YEAR ARMS - 4.375%-4.875% depending on the lender

Ongoing Lock/Float Considerations

- Rates continue coping with several big-picture headwinds, including: the Fed's rate hike outlook (and general policy tightening), the increased amount of Treasury issuance to pay for the tax bill (higher bond issuance = higher rates), and the possibility that fiscal stimulus results in higher growth/inflation (which certainly seems to be the case so far in 2018).
- While rates were able to recover and stay sideways in the summer months, September and October have seen a surge up to the highest levels in more than 7 years.
- Upward pressure can continue as long as economic growth and inflation continue running near long-term highs. Stay defensive (i.e. generally more lock-biased). It will take a big change in economic fundamentals or geopolitical risk for the big picture to change. Such things tend to not happen as quickly as we'd like.
- *Rates discussed refer to the most frequently-quoted, conforming, conventional 30yr fixed rate for top tier borrowers among average to well-priced lenders. The rates generally assume little-to-no origination or discount except as noted when applicable. Rates appearing on this page are "effective rates" that take day-to-day changes in upfront costs into consideration.*

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