Mortgage Rates Dodging Some Risk For Now

By: Matthew Graham | Tue, Jan 22 2019, 4:06 PM

Mortgage rates were higher heading into the end of the previous week. To make matters worse, as of Friday afternoon, it didn't look like the average lender had fully accounted for the losses in the bond market.

Bonds dictate interest rate movement. When it comes to mortgages, lenders are paying close attention to trading levels in bond markets, but only change their rate sheet terms if markets move enough. This is known as a "mid-day reprice." Bonds were weak enough for some lenders to reprice on Friday, but **most didn't.** That meant we were likely to see that bond market weakness reflected in this morning's new rate sheet offerings.

As it happened, bonds staged a somewhat impressive recovery with help from investor concern about global growth. Oftentimes, a big loss in equities markets can send money running to the bond market where it benefits interest rates. This was the case overnight with Chinese stocks leading the way. The strong start in bonds allowed lenders to **keep rates roughly unchanged** and--in some cases--slightly lower.

See Rates from Lenders in Your Area

All this having been said, the general trend in rates has been slightly **higher** ever since hitting long-term lows at the beginning of the month. It makes sense to remain defensive when it comes to lock/float decisions until this gently higher trend reverses course.

Loan Originator Perspective

Bonds regained Friday's losses, trading (once again) in very narrow ranges today. Global growth concerns hit equities, boosting bonds. I'm locking new applications closing within 30 days. -**Ted Rood, Senior Originator**

Today's Most Prevalent Rates

- 30YR FIXED - 4.5%
- FHA/VA - 4.25%
- 15 YEAR FIXED - 4.125%
- 5 YEAR ARMS - 4.25%-4.625% depending on the lender

Ongoing Lock/Float Considerations

- Headwinds that had plagued rates for most of the past 2 years began to die down in late 2018. A rapid decline in the stock market certainly helped drive investors into bonds (which helps rates) Highest rates in more than 7 years in Oct/Nov. 8-month lows by the end of the year

- This is a bit of a crossroads. The rising rate environment could flare up again. We may look back at Oct/Nov and see a long-term ceiling, or we may look back at early December and see a temporary correction before more pain.

- Either way, late 2018 was a sign that rates are willing to take opportunities presented to them. From here, it will be up to economic data, fiscal policies, and the stock market to decide on the next set of opportunities. The rougher the overall outlook, the better interest rates tend to do.

- *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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