Mortgage Rates Unchanged at Start of Hectic Week

By: Matthew Graham | Mon, Jan 28 2019, 4:23 PM

Mortgage rates didn't move at all today, on average, but that's likely to change throughout the course of the week--possibly several times. Interest rates are driven by bond market trading which, in turn, takes its cues from all manner of inputs. Two of the biggest inputs are economic data and the Federal Reserve (aka "The Fed"). There is plenty to consider on both accounts in the coming days.

The Fed will release one of its periodic policy announcements on Wednesday. No one expects them to raise rates at this meeting, but there are broad-based expectations for the verbiage of the Fed's statement to soften (i.e. to become more friendly toward rates and financial markets in general). Traders are **already** betting on some softening (which is helping rates stay lower than they otherwise might be over the past few trading days), but there's still plenty of room left for surprises.

This week's economic data considerations are **much less straightforward**. Investors are waiting to find out when the backlogged reports from the government shutdown will finally be released. While it's unlikely that any of the more meaningful data will make it onto this week's schedule, it isn't impossible. Beyond that, there will be important data that's guaranteed to report, such as Friday's big jobs report. The only catch there is that the government shutdown will certainly have affected those numbers, but by an amount that can really only be guessed at.

Why does the jobs report guesswork matter? **Simply put:** the market's reaction to economic data is largely a function of where the actual numbers land versus the forecasts. So, if the forecasts are highly uncertain due to the shutdown, the market's reaction is therefore just as uncertain. The only safe bet is that rates won't be spending much more time holding in the same sideways pattern that's governed the past few weeks.

Loan Originator Perspective

Bond markets rallied slightly as Wednesday's Fed Statement looms. Their commentary on the shutdown's economic impact will be scrutinized. Wednesday also brings employment data prior to Friday's January NFP report. I'm locking 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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