Highest Mortgage Rates in a Week After Today's Move

By: Matthew Graham | Wed, Feb 13 2019, 4:41 PM

Mortgage rates hadn't changed much over the past few business days, even though they arguably should have moved a bit higher yesterday. That made today's adjustment slightly more abrupt.

Why was there an adjustment?

Mortgage rates are based primarily on the trading levels in the bond market. In turn, the bond market takes cues from a multitude of factors big and small. Among the **biggest** considerations for bonds are the various regularly scheduled economic reports. Among those reports, inflation data is traditionally very important to bonds. And finally, among inflation data, today's Consumer Price Index is probably the most widely followed.

Inflation didn't jump in any major way, but the important "core" reading (which factors out food and energy) was slightly higher than expected on an annual basis. In general, higher-than-expected inflation puts **upward** pressure on rates, and that was part of the problem today. Rates also responded to the increased likelihood that there would not be another **government shutdown** at the end of this week (based on clues gleaned during a White House press conference early this morning).

See Rates from Lenders in Your Area

All of the above (plus some additional esoteric factors) pushed rates to their **highest levels since February 5th**. That said, the days between now and then have seen some of the best rates in more than a year. Compared to most everything that came before then, today's rates are still right in line with those 1-year lows.

Tomorrow brings more important economic data in the form of the Retail Sales Report. We haven't seen this data since the government shutdown began in late December. It's unclear whether investors will be interested in reacting to this report in a major way, but it's a risk to be aware of heading into tomorrow. If the numbers are stronger than expected, rates could continue higher, but if it's much weaker than forecast, we could edge back down to recent lows.

Loan Originator Perspective

Today's CPI reading came in slightly above expectations, and it appears we may evade a 2nd DC Shutdown. Bond markets posted their 3rd straight day of losses. For now, rates are trending higher, and I'm locking new applications closing within 45 days. -**Ted Rood, Senior Originator**

Today's Most Prevalent Rates

- 30YR FIXED - 4.375 - 4.5%
- FHA/VA - 4.125 - 4.25%
- 15 YEAR FIXED - 4.0 - 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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