Mortgage Rate Volatility Still a No-Show For 2020

By: Matthew Graham | Wed, Jan 15 2020, 2:37 PM

Mortgage rates improved modestly today, adding to yesterday's slightly less compelling improvement. Taken together, they keep an air of calm and steady progress intact during a week that ran the risk of stumbling across volatility.

One of the key sources of potential volatility was today's signing of the US/China "phase 1" trade deal. Granted, it was only much of a risk in the event that something unexpected happened. Needless to say, nothing unexpected happened! Mortgage rates and the underlying bond market reacted accordingly as they merely went about their business for reasons known only to the traders pushing the buttons behind the scenes (i.e. market movement was so well contained today that we're not able to connect any underlying events with the movement).

All of the above having been said, we're not quite out of the woods with respect to potential volatility. Tomorrow morning brings the week's most important economic reports. If they're much stronger than expected, rates could face upward pressure, but weaker data could keep the friendly rate trend intact. At the moment, the average lender isn't far from their lowest rate offerings of the past 6 months (which are also the lowest in more than 3 years).

See Rates from Lenders in Your Area

Today's Most Prevalent Rates For Top Tier Scenarios

- 30YR FIXED - 3.625 -3.75%
- FHA/VA - 3.375%%
- 15 YEAR FIXED - 3.25 - 3.375%
- 5 YEAR ARMS - 3.25-3.75% depending on the lender

Ongoing Lock/Float Considerations

- 2019 was the best year for mortgage rates since 2011. Big, long-lasting improvements such as this one are increasingly susceptible to bounces/corrections

- Fed policy and the US/China trade war have been key players. Major updates on either front could cause a volatile reaction in rates

- The Fed and the bond market (which dictates rates) will be watching economic data closely, both at home and abroad, as well as trade war updates. The stronger the data and trade relations, the more rates could rise, while weaker data and trade wars will lead to new long-term lows.

- *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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