Mortgage Rates May Be Pressured Higher As Virus Fears Ebb

By: Matthew Graham | Tue, Feb 11 2020, 3:51 PM

Mortgage rates were very slightly **higher** today after being modestly **lower** over the weekend, but in general, remain very close to the lowest levels in more than 3 years. They weren't too much higher than current levels even before the coronavirus outbreak took center stage, but the virus definitely deserves credit for the extra downward momentum in recent weeks. Given that Chinese equities markets are already indicating the financial market psyche has shifted, it may only be a matter of time before US bond markets (which dictate mortgage rates) follow suit.

That's not to say that bonds must follow stocks. If that were the case, we wouldn't see bond yields close to all-time lows while stocks are at all-time highs. Rather, it's simply a comment on the fact that Chinese equities serve as a good barometer for how quickly markets are getting over their coronavirus concerns. If we assume that bond yields (aka rates) are only as low as they are because of coronavirus, any additional recovery in Chinese equities would likely coincide with **upward pressure** for interest rates.

See Rates from Lenders in Your Area

Loan Originator Perspective

Bond yields were largely unchanged Tuesday, with no meaningful economic data or new Wuhan virus drama motivating markets. My pricing mirrored Monday's. We're going to need some serious motivation for rates to drop significantly from here, I am playing it safe and locking loans closing within 45 days. - **Ted Rood, Senior Originator**

Today's Most Prevalent Rates For Top Tier Scenarios

- 30YR FIXED - 3.375 - 3.5%
- FHA/VA -3.25%
- 15 YEAR FIXED - 3.125-3.25%
- 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 (and more recently, the coronavirus outbreak). 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 updates on other factors like trade and viral epidemics. The stronger the data the more rates could rise, while weaker data 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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