

# Mortgage Rates Improve Again, Making it Back to Last Week's Levels

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**Mortgage rates moved lower** again today, with many lenders making it back to the levels seen after last Friday's jobs report. In week-over-week terms, rates were still decidedly higher at the beginning of the day. It wasn't until the afternoon's 30yr bond auction that the entire bond market improved enough for mortgage lenders to offer mid-day reprices. A similar pattern played out yesterday.

**Why do Treasury auctions matter to mortgage rates?** Treasuries and MBS (mortgage-backed securities--the bonds that most directly affect mortgage rates) are both part of the bond market. They correlate quite well for a variety of reasons (not the least of which being that Treasuries are the risk-free starting point against which every dollar-denominated bond investment is measured). As such, when Treasuries have a good day, MBS (and thus, mortgage rates) tend to have at least a decent day. Today (like yesterday) was no exception.

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In addition to another strong Treasury auction, bonds also benefited from the European Central Bank's (ECB) policy announcement. While the ECB did indeed announce a reduction in its bond buying efforts, the reduction wasn't as severe as markets were expecting. The combination of the ECB news and the end of this week's Treasury auction cycle provide some insulation against the risks that were present at the beginning of the week. That said, rates remain ready to make bigger moves (in either direction) if there is a big change in pandemic statistics (in either direction!).

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