Biggest 2-Day Rate Drop in a Long Time as 30yr Surges Back Under 4.0%

By: Matthew Graham | Tue, Mar 1 2022, 4:48 PM

First thing's first. We need to get some **caveats** out of the way. The following should always be assumed when reading mortgage rate coverage, but I like to include a reminder on the occasions where massive movement and specific levels are discussed.

- Different lenders adjust rates at different paces. Some have yet to catch up with the average. Others may be ahead of average.
- If we're talking about 30yr fixed rates under 4.0%, it's a reference to an ideal scenario without price adjustments for things like credit score, loan purpose, property type, cash-out, etc.

With that out of the way, wow! From Friday afternoon to right now, rates have dropped more than **almost any other 48-hour period** in more than a decade. If we disregard the crazy market movement seen in March 2020 (and there are good reasons to do that), we'd have to go all the way back to 2011 before seeing another 48 hours that came close.

On average, effective conventional 30yr fixed rates for top tier scenarios dropped from 4.18 to 3.90 since Friday. Since rates are typically offered in .125% increments that means we've moved from a range of 4.125-4.25% to 3.875%-ish.

Why the ambiguity at 3.875%? Again, different lenders are moving at different speeds here. Many are at 3.875. Some are still at 4.0 to 4.125. A few others are at 3.75%. There's not one perfect daily rate to capture all of the nuances. 3.90% is where the average lender would be if we froze market conditions in time and allowed the industry to get on the same page (actually, rates would probably be a bit lower because there's still a certain premium associated with uncertainty and volatility in the 3.90% number).

Forget about nitty gritty levels and focus on the change from yesterday and the day before. **Why is all this happening?** In a word: Ukraine. As long as 40 miles of trucks are lined up outside Kyiv, the invasion is assumed to get worse before it gets better. As the drama unfolds, investors are seeking safe haven in the bond market. US Treasuries are the biggest beneficiary domestically, but mortgage-backed bonds are soaking up plenty of the buying demand as well.

Apart from the pace of movement in the market, the **other important takeaway** is that the gains are based on an uncommon, volatile, terrible situation. As soon as it turns a corner toward a resolution that doesn't end in global nuclear war, the bond market is at risk of changing course extremely quickly. In other words, there could come a day--hopefully in the near future, from a humanitarian standpoint--where rates jump back up toward recent highs.

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