

Mortgage Rates Steady at Long-Term Highs Ahead of Fed

By: Matthew Graham | Tue, May 3 2022, 4:23 PM

[Mortgage rates](#) hit their highest levels since 2009 yesterday amid the fastest spike since the early 1980s. Today's rates were very **similar** on average, but the bond market left some room for mortgage lenders to offer improvements during the day. A few of them did, but bond gains evaporated in the afternoon, resulting in rates returning back to long-term highs by the close.

As for motivations, today's volatility **wasn't** overtly connected to any individual root cause. The best cases for correlation surround the big picture. There, the obvious motivations continue to be inflation and the Fed's attempts to address it. We'll get the latest dose of Fed strategy confirmation in tomorrow's official policy announcement and press conference.

The Fed is widely expected to hike its policy rate by 0.50%, but it's important to understand this has **nothing to do with the average mortgage**. The mortgage market adjusted for this probability long ago, and even then, [mortgage rates](#) are based on longer-term bonds whereas the Fed Funds Rate dictates loans that last less than a day. Sometimes overnight rates and long-term rates correlate, but their performance varies so much over time that it makes no sense to infer any impact on mortgages from changes in Fed Funds.

[See Rates from Lenders in Your Area](#)

Of more consequence will be the manner in which the Fed implements its balance sheet normalization plans. These are just fancy words to say the Fed will soon be buying even fewer bonds. This bond buying has a far more direct affect on [mortgage rates](#), but here too, the market widely expects the Fed to make this announcement tomorrow. There are a few subtle options for the Fed to deliver the message in a way that helps or hurts rates, however. Depending on which path the Fed chooses, rates could make **bigger moves tomorrow**, for better or worse.

View this Article: <https://www.mortgagenewsdaily.com/markets/mortgage-rates-05032022>