

Decent Day For Mortgage Rates, Relatively Speaking, Despite Volatility

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Mortgage rates are still in the process of bouncing back from an ultra-sharp spike to the highest levels since 2008 seen on Tuesday. Clarity from the Federal Reserve helped yesterday, but the bond market faced new hurdles overnight.

Bonds dictate rates, and European bonds can have an impact on US bonds—especially during overnight trading hours. That was the case today as the Swiss National Bank unexpectedly hiked its policy rate. This served as a catalyst for a sharp jump in bond yields in Europe at 3:30am Eastern time. That momentum spilled over to US bonds and by the time domestic trading began, rates were close to as high as they were on Tuesday.

The bonds that underlie the mortgage market fared a bit better relative to Tuesday's weakest moments. This allowed mortgage lenders to be gentler than we might have otherwise expected. They set the day's first rates higher than yesterday's, but not by a troubling amount.

Bonds improved progressively as the day continued with a vast majority of lenders ultimately issuing positive reprices (i.e. they dropped rates in the middle of the day). After those reprices, the average lender is offering rates almost exactly in line with yesterday's latest levels. Some lenders are even slightly better.

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Although this means the average 30yr fixed rate remains just over 6%, that's a far cry from many of Tuesday's top-tier quotes in the 6.375% range. It continues to be the case that paying points can make more sense than it typically does due to the way mortgage bonds are priced on the secondary market currently. A buydown that would normally cost 2 points currently only costs one point in many cases.

In the bigger picture, today's bond market resilience offers some reassurance or at least some hope that this past Tuesday's highest rates are the highest we'll see for a while, but we're taking that assessment one day at a time. In any event, expect day-to-day (and hour-to-hour) swings to be much bigger than normal.

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