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Market Update for Oct 5, 2023

Mortgage Rates: Today vs. Yesterday

Today's mortgage rate sheets are likely to look quite similar to what we had yesterday. While there's a moderate chance of some rate adjustments as the day progresses, we aren't expecting any significant economic news to cause a stir— at least not until the job numbers come out tomorrow. However, keep in mind that the bond market has been somewhat unpredictable this week.

A Closer Look: Bond Yields and Mortgage Rates

There's been a lot of chatter in the news lately about how high bond yields, especially for the 10-year Treasury, have climbed. While the 10-year yield hasn't reached 5% since 2007, it's worth noting that back in 2007, mortgage rates were actually considerably lower. Why? The difference (or "spread") between mortgage bonds and the 10-year Treasury was much smaller.

Why Are Rates Rising? A Look at Government Spending

Some experts have highlighted that the government has expanded significantly in recent years, by about 43% in just four years. This growth has been accompanied by increased subsidies, credits, and financial aids, propelling the economy. The funds needed to sustain this enlarged government aren't coming from our taxes, but rather from accumulating debt. As more Treasury bonds are needed, their yields (or interest rates) are likely to rise.

Another factor to consider: Four major buyers of these Treasury bonds have reduced their purchasing. The Federal Reserve, for instance, used to buy a significant portion of these debts, but they've been cutting back. Meanwhile, China is being cautious with its purchases, Japan is investing more domestically, and banks are wary of long-term Treasury bonds after a banking hiccup in March.

The Bottom Line for Mortgage Rates

What does all this mean for you and me? Well, unfortunately, it's unlikely that mortgage rates will be decreasing anytime soon. Even if the job market shows some signs of slowing, we might only see a small positive impact on rates.

So, as we move forward, it still seems wise to lock in rates. While it's hard to predict the future, rates might be a bit higher next month. Let's hope it's not a big jump!

About Today's Lock Commentary…

The views and commentary are provided by Ron Siegel, an industry veteran with certifications: CMA, CDLP, CLA, VMA. Ron is a radio host who studies the markets and reviews many rate reports daily.

Ron's view on rates comes from an Originator's point of view, seeing each loan as a real person with a real desire to save some money or improve their rate situation - not a hedge fund where we "manage risk" and "take some loans off the table".

In addition to hosting a daily, syndicated radio program since 2010, Ron is a Branch Manager with Geneva Financial and licensed under NMLS 217037.