What Drives Mortgage Rates?

Ever wonder what makes interest rates go up or down?
Here are the six main factors that drive loan rates.

1 ECONOMIC DATA

Rates Go UP
- Non-farm Payrolls higher than expected
- Unemployment rate goes down
- Better than expected economic data in general

Rates go DOWN
- Jobs data stagnant or in decline
- Manufacturing stagnant or slowing
- Housing weaker than expected

The Employment Report is released on the first Friday of each month by the Bureau of Labor Statistics and is the most important of all economic indicators as it provides a first look at the current economic situation. Rates reflect the relative strength or weakness of these factors on a day-to-day basis.

2 INFLATIONARY PRESSURE

Rates Go UP
- Higher Consumer Price Index
- Higher wholesale prices
- Hourly earnings higher

Rates go DOWN
- Lower consumer prices
- Lower wholesale prices
- Hourly earnings lower

Low interest rates depend on low inflation, which causes both wages and prices to rise across the board and the cost of borrowing to get more expensive. Good news for the economy is often bad news for interest rates.

3 STOCK MARKET

Rates Go UP
- Stock market on the rise

Rates go DOWN
- Stocks in decline

The Stock markets and interest rates have an inverse relationship (most of the time). When investors are putting money into a Stock market that's doing well, money moves out of Bonds, causing prices to drip and pushing interest rates higher.

4 FEDERAL RESERVE

Rates Go UP
- Pulling money out of the monetary system usually indicates inflation is either here or anticipated by the Fed

Rates go DOWN
- Adding cash into the monetary system creates a looser credit environment in an attempt to stimulate the economy through borrowing and expansion

The Federal Open Market Committee meets eight times a year to determine the near-term direction of monetary policy. By controlling the flow of cash through the economy, the Fed attempts to keep inflation under control.

5 GEO-POLITICS

Rates Go UP
- China's GDP improves
- Middle East tensions ease

Rates go DOWN
- European economy sinks
- Conflicts or acts of terror

Investors often turn to the US markets as a safe haven for investing whenever things go wrong in the world. The relative stability of our markets provides a 'safe haven' in times of global crisis.

6 OTHER GLOBAL EVENTS

Rates Go UP
- A serene landscape around the globe with little catastrophic weather or events

Rates go DOWN
- Hurricanes
- Typhoons
- Tsunamis
- Earthquakes

Again, what's good for the world is bad for Bonds. But when investors are attracted to our markets for safety, the flood of investment creates a favorable

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