



## **Mortgage Interest Rates on the Rise**

**What drives mortgage interest rates?** There are several factors today influencing interest rates on mortgages in Arizona and nationally. However, at the end of the day, mortgage bonds trading in the **Bond Market** is what drives the long term mortgage rates. The supply and demand of bonds combined with the bond markets sentiment and perception of future inflation, deflation, rising deficits and risk vs. reward of other assets such as Stocks are all factors impacting the bond market.

We've seen very *sharp* and *large* swings in the bond market over the past 6 weeks. The volatility can be head spinning at times! The Federal Reserve's November 3<sup>rd</sup> QE2 (Quantitative Easing) announcement contributed to the most recent run in rates. There's an old market saying, "*Buy on the rumor, sell on the news.*" This is exactly what happened. Hedge funds were buying bonds heavily throughout the summer on the *rumor* of the QE2. Once it became *news* on November 3<sup>rd</sup>, hedge funds sold, triggering the sharp decline in the bond market which caused Arizona mortgage interest rates to spike higher.

Expect volatility to continue over the next couple weeks as we close out 2010. Maybe you've heard of the "Santa Claus Rally".....the stock market tends to see a rally in late December powered by a happy feeling on Wall Street around the holidays. Typically stock market rallies don't bode well for the bond market as investors take money out of bonds to invest in stocks.

It is not uncommon to see mid day rate changes of late. I follow the markets throughout the day and do my best to protect my client's in this type of rate environment. Although rates are no longer at the lows of months past, they are still good and when combined with the affordability factor of the Phoenix Metro and Arizona market, it's a great time to buy!

Have a wonderful Arizona weekend ~

Kelly

*Quote of the week: "The dreams of the future better than the history of the past." - Thomas Jefferson.*

**Kelly L. Zitlow, CMPS®**  
Branch Manager  
Licensed Mortgage Professional  
NMLS # 164330  
Direct: 480-398-4908  
E-Fax: 480-240-5324  
Email: [kzitlow@ccmclending.com](mailto:kzitlow@ccmclending.com)  
Website: [www.kellyzitlow.com](http://www.kellyzitlow.com)

**Tara Bradley**  
Transaction Coordinator  
NMLS # 203298  
Direct 480-398-4903  
[tbradley@ccmclending.com](mailto:tbradley@ccmclending.com)

**Karen Hunt**  
Sr. Loan Processor  
Direct 480-398-4902  
[khunt@ccmclending.com](mailto:khunt@ccmclending.com)

 EQUAL HOUSING LENDER AZ BK #0904024

12/17/2010