

# The Ups & Downs OF MORTGAGE RATES

Why do home loan interest rates increase or decrease? Here's a quick look at the 5 main factors that propel rate movement.

**1 ECONOMIC INDICATORS** Rate movement reflects the health of a variety of economic factors. Data included in the Bureau of Labor and Statistics' monthly Employment Report offers a current view of our economic well-being.



#### RATES UP

- Unemployment is down
- Non-agriculture payroll is higher than expected
- Stronger economic data in general



#### RATES DOWN

- Manufacturing sluggish or slowing down
- Jobs growth falling or stagnant
- Weak housing growth

**2 INFLATION** Rates are typically low when the risk of inflation is low. Generally, a healthier economy could lead to higher rates.



#### RATES UP

- Consumer Price Index and wholesale prices increasing
- Hourly earnings are increasing



#### RATES DOWN

- Lower consumer and wholesale prices
- Hourly wages are decreasing

**3 STOCK MARKET** Stocks and rates mostly have an inverse relationship. Investors putting money in a strong stock market pushes money out of bonds, which drops prices and causes rates to go higher.



#### RATES UP

- Robust, growing stock market



#### RATES DOWN

- Weakening stock market

**4 FEDERAL RESERVE** The Fed doesn't set specific rates in the mortgage market. But its adjustment of the money supply affects interest rates available to borrowers.



#### RATES UP

- Fed tightens money supply because inflation is either anticipated or already here



#### RATES DOWN

- Fed increases flow into money supply, creating a more flexible credit environment to help boost the economy

**5 THE WORLD AT LARGE** Global events – such as political turmoil, foreign competition, food/fuel costs, and natural disasters – also affect the cost of borrowing money. Investors are typically drawn to the U.S. markets in times of global unrest, which can create a more favorable interest rate environment.



#### RATES UP

- China's GDP improves
- Tensions in the Middle East ease
- No catastrophic weather or disasters predicted



#### RATES DOWN

- European economy declines
- Conflicts or acts of terror
- Earthquakes, hurricanes, tsunamis, or typhoons



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