How long until mortgages are affected by short-term rate hikes?

A big week for news, especially for mid-December, but so scattered across the economic spectrum that sorting important versus not takes some work. If only because these will be the most important two words in 2018, put them at the top: “yield curve.” You’re going to hear them next year past the point of nausea. Yield curve. Yield curve yield curve yield curve yield curve. On trading desks, “the curve” is the graphic representation of the spread between short-term rates and long-term ones. The Fed controls short-term, markets long-term. Since 1971, upon six separate occasions the Fed has pushed short-term rates above long-term ones and a recession has followed each time. After Wednesday’s hike in the Fed funds rate (overnight cost of money) to 1.50 percent, the spread between short-term money (2-year T-note) and long (10-year T-note) reached its narrowest in 10 years, since just before the Great Recession. A narrowing spread is a “flat curve,” and short rates...

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