Mortgages unchanged immediately after Fed hikes rates: Why?

As expected, the Fed raised the overnight cost of money by 0.25 percent to a band of 1.25 percent-1.50 percent. Movement of the Fed rate — up or down — can put pressure on mortgage interest rates, which often follow the lead of the 10-year Treasury note aka the “long bond.” The immediate response in long-term bond and mortgage markets was down. Slightly, but down. How can this be so? The immediate reasons are these: The Fed’s forecast and statement accompanying the rate hike were peaceful. Many had feared an acceleration in future hikes. Inflation is still low, and that’s the primary concern in long-term markets. This morning’s CPI report showed core inflation at 1.7 percent in the last year, below economists’ forecasts, and significantly below the Fed’s 2 percent target. The European Central bank and Bank of Japan are holding their long-term bond yields far below ours. The German 10-year yield today is 0.317 percent, and Japan’s 0.049 percent. G...

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