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Mortgage rates surge higher on Trump victory, causing housing stocks to fall

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- The average rate on the 30-year fixed mortgage surged 9 basis points Wednesday to 7.13%, according to Mortgage News Daily.
- Housing stocks reacted in turn, with both the big public builders and building material companies falling sharply.
- Lennar, D.R. Horton and PulteGroup were all down Wednesday. Retailers Home Depot and Lowe's were also lower. Homes in the south suburban Chicago area on April 26, 2023.

President-elect Donald Trump's victory spurred a rise in in the U.S. 10-year Treasury yield. Mortgage rates, which loosely follow the benchmark yield, are also climbing. *

The average rate on the 30-year fixed mortgage surged 9 basis points Wednesday to 7.13%, according to Mortgage News Daily. That is the highest rate since July 1 of this year, though not quite the surge some had expected.

"The expectation among bond traders coming into the election was that rates would move higher in the event of a Trump victory and especially a red sweep. While the latter is not yet clear, the former is enough for another bump to rates that have already risen abruptly with Trump's victory odds," said Matthew Graham, chief operating officer at Mortgage News Daily.

Housing stocks reacted in turn, with both the big public builders and building material companies falling sharply. Lennar, D.R. Horton and PulteGroup were all down more than 4% in midday trading Wednesday. Retailers Home Depot and Lowe's also fell, more than 3% apiece.

"The builder stocks are highly sensitive to mortgage rates and mortgage rate expectations. Inflation expectations are higher now, which impacts long-term rates," said John Burns, CEO of John Burns Real Estate Consulting. *

While Trump did not lay out a detailed housing plan, he did talk about deregulation and opening federal land for more home construction.

The National Association of Home Builders congratulated the president-elect with a statement from its chairman, Carl Harris, saying, "NAHB looks forward to working with the incoming Trump administration and leaders in Congress from both parties to enact a pro-housing legislative and regulatory agenda that increases the nation's housing supply and eases the nation's affordability woes."

Big builders have been buying down mortgage rates for their customers, but that has been cutting into their margins. ✖

Mortgage rates hit a recent low of 6.11% on Sept. 11, but have been rising steadily since, despite the recent rate cut by the Federal Reserve. Mortgage rates don't follow the Fed, but do react to the central bank's thinking on the economy. Stronger-than-expected economic reports in September and October caused bond yields, and consequently mortgage rates, to move higher. ✖

To put it in perspective for consumers, a homebuyer purchasing a \$400,000 home with a 20% down payment on a 30-year fixed mortgage, would have had a monthly payment of \$1,941 in early September. Today that payment would be \$2,157, a difference of \$216.

Sales of existing homes have seen an unusual surge this fall. Pending sales, which represent signed contracts, rose 7% in September compared with August, according to the National Association of Realtors. That was before rates surged significantly higher.

The sales increase is largely due to more supply. There were 29.2% more homes actively for sale in October compared with October 2023, reaching the highest level of active inventory since December 2019, according to Realtor.com. ✖

"The path ahead is anyone's guess and will ultimately be determined by inflation, the economy, and Treasury issuance," Graham added.