



SECONDARY MARKET REVIEW • FULL ANALYSIS

Mortgage rates: 18 months back, 18 months forward

Treasuries, not spreads, drove mortgages to 7.40%.

■ A green square marks a sourced figure. The source follows it.

PRE-SPIKE

A forecast published before the 10-year closed above 5%.

Treasuries, not spreads, drove mortgages to 7.40%

The 30-year fixed rate on Freddie Mac's survey fell from 6.64% on April 3, 2025 to 5.98% on February 26, 2026, then rose 142 basis points to **7.40% on October 8, 2026**, the highest since November 2023 and the seventh straight weekly increase ■ [FRED MORTGAGE30US](#); AP via [KSAT, Oct 8, 2026](#). Measured from the May 29, 2025 high of 6.89%, the 91 bp decline was roughly half spread compression, and 54 bp of it came before the Fed's first cut. The rise is about 85% Treasury yield: the Iran war oil shock that began February 28, 2026 pushed inflation back up, turned the Fed from three cuts to a unanimous hike on September 16, 2026, and took the 10-year from 3.97% to a closing high of 5.31% on October 5 ■ [FRED DGS10](#); [Fed statement, Sep 16, 2026](#). The policy rate is 50 bp lower than when the window opened and the mortgage rate is 76 bp higher. Looking forward, this analysis's base case (its own judgment, weighted at about 50%) is a 30-year fixed between 6.75% and 7.50% through 2027, ending in the lower half of that band by April 2028. The lower case (below 6.75%, most likely 6.00% to 6.75%, about 25%) needs the Strait of Hormuz reopened and the Fed finished, or a labor market break. The higher case (above 7.50%, most likely 7.50% to 8.50%, about 25%) needs a 10-year above 5.30%, and 8% needs roughly a 5.50% to 5.75% 10-year with spreads of 225 to 250 bp. Live rate sheets near 7.5% already sit at the top of the base band. The MBA and Fannie Mae forecasts still in circulation (6.7% to 6.8% through 2027) are stale: they predate the 10-year's move above 5%, sit at the bottom edge of the base band and below every live quote, and need an immediate 70 bp drop to verify. A rate below 6% requires a recession-type shock, no forecaster in the research is calling for one, and the two main industry forecasters erred low on 25 of the 31 calls this report scores (12 of 15 in the longer record back to 2022).

The round trip: 6.64% down to 5.98%, then up to 7.40%

Conventions first. "Mortgage rate" means the Freddie Mac PMMS 30-year fixed weekly average unless another survey is named. Treasury yields are constant-maturity daily closes. "Spread" means PMMS minus the 10-year Treasury. The research team downloaded all three from FRED on October 9, 2026; monthly averages, changes and spreads are arithmetic on those series. Where the research files disagreed with each other, the figure used here and the reason are set out in the reconciliation section near the end.

The window splits into three regimes. From April to July 2025, tariff and deficit fears kept the 10-year between about 4.0% and 4.6% and the mortgage rate between 6.62% and 6.89%. From August 2025 to February 2026, weak labor data, three Fed cuts and a sharp compression in the mortgage spread took the rate to 5.98%. From February 28, 2026, an oil shock, re-accelerating inflation and a Fed that started hiking took the 10-year above 5% and the mortgage rate to 7.40%.

MONTH	PMMS 30-YEAR, MONTHLY AVG	LAST WEEKLY PRINT (DATE)	10-YEAR, MONTHLY AVG	SPREAD (AVG PMMS MINUS AVG 10-YEAR)	FED FUNDS TARGET AT MONTH-END
Apr 2025	6.72	6.81 (Apr 24)	4.28	2.45	4.25 to 4.50
May 2025	6.82	6.89 (May 29)	4.42	2.39	4.25 to 4.50
Jun 2025	6.82	6.77 (Jun 26)	4.38	2.43	4.25 to 4.50
Jul 2025	6.72	6.72 (Jul 31)	4.39	2.33	4.25 to 4.50
Aug 2025	6.59	6.56 (Aug 28)	4.26	2.32	4.25 to 4.50
Sep 2025	6.35	6.30 (Sep 25)	4.12	2.23	4.00 to 4.25
Oct 2025	6.25	6.17 (Oct 30)	4.06	2.19	3.75 to 4.00
Nov 2025	6.24	6.23 (Nov 26)	4.09	2.14	3.75 to 4.00
Dec 2025	6.19	6.15 (Dec 31)	4.14	2.05	3.50 to 3.75
Jan 2026	6.10	6.10 (Jan 29)	4.21	1.89	3.50 to 3.75
Feb 2026	6.05	5.98 (Feb 26)	4.13	1.92	3.50 to 3.75
Mar 2026	6.18	6.38 (Mar 26)	4.25	1.93	3.50 to 3.75
Apr 2026	6.33	6.30 (Apr 30)	4.32	2.01	3.50 to 3.75
May 2026	6.44	6.53 (May 28)	4.48	1.96	3.50 to 3.75
Jun 2026	6.49	6.49 (Jun 25)	4.47	2.02	3.50 to 3.75
Jul 2026	6.54	6.66 (Jul 30)	4.60	1.94	3.50 to 3.75
Aug 2026	6.67	6.66 (Aug 27)	4.68	1.98	3.50 to 3.75
Sep 2026	6.86	7.03 (Sep 24)	4.99	1.87	3.75 to 4.00
Oct 2026 (two prints, to Oct 8)	7.34	7.40 (Oct 8)	5.27	2.07	3.75 to 4.00

■ Sources: [FRED MORTGAGE30US](#); [FRED DGS10](#); [Federal Reserve open market operations](#). Averages and spreads computed by the research team from FRED downloads of October 9, 2026. Spreads are computed from unrounded averages, so a few rows differ by 0.01 from the difference of the two displayed columns.

The Fed's record over the same period is twelve meetings, three cuts and one hike. There was no April 2025 meeting.

MEETING	DECISION	TARGET RANGE AFTER	VOTE
May 6-7, 2025	Hold	4.25% to 4.50%	12-0

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Jun 17-18, 2025	Hold	4.25% to 4.50%	12-0
Jul 29-30, 2025	Hold	4.25% to 4.50%	9-2 (Bowman, Waller for a cut)
Sep 16-17, 2025	Cut 25 bp	4.00% to 4.25%	11-1 (Miran for 50 bp)
Oct 28-29, 2025	Cut 25 bp; runoff to end Dec 1	3.75% to 4.00%	10-2
Dec 9-10, 2025	Cut 25 bp; bill purchases begin	3.50% to 3.75%	9-3
Jan 27-28, 2026	Hold	3.50% to 3.75%	10-2 (Miran, Waller for a cut)
Mar 17-18, 2026	Hold	3.50% to 3.75%	11-1
Apr 28-29, 2026	Hold (Powell's last as chair)	3.50% to 3.75%	8-4
Jun 16-17, 2026	Hold (Warsh's first); easing bias dropped	3.50% to 3.75%	12-0
Jul 28-29, 2026	Hold	3.50% to 3.75%	9-3 (Hammack, Kashkari, Logan for a hike)
Sep 15-16, 2026	Hike 25 bp	3.75% to 4.00%	12-0

■ Sources: Federal Reserve statements of [Sep 17, 2025](#), [Oct 29, 2025](#), [Dec 10, 2025](#), [Apr 29, 2026](#), [Jun 17, 2026](#), [Jul 29, 2026](#) and [Sep 16, 2026](#).

April to July 2025: tariffs and deficits pinned rates at 6.6% to 6.9%

The April 2, 2025 tariff announcement produced a two-day flight to quality and then the opposite. The 10-year closed at 4.01% on April 4 and **4.48% on April 11, 2025** while the S&P 500 fell 12.1% between April 2 and April 8, and the New York Fed's ACM term premium on the 10-year went from 0.23% to 0.67% in that week ■ [FRED DGS10](#); [FRED SP500](#); [NY Fed ACM term premia](#). Mortgage News Daily's daily index went back above 7%, about half a point higher in a week and the largest weekly jump since early 2022; Freddie Mac's weekly average registered the move a week late, with a 21 bp jump to 6.83% on April 17 ■ [MND, Apr 11, 2025](#); [FRED MORTGAGE30US](#). Moody's cut the US rating to Aa1 on May 16, 2025; a weak 20-year auction on May 21 (5.047%) took the 10-year to 4.58%, its 2025 high inside the window, and the mortgage rate peaked at **6.89% on May 29, 2025** ■ [Moody's](#); [Treasury auction data](#); [MND, May 21, 2025](#). The Fed held at 4.25% to 4.50% in May, June and July. The One Big Beautiful Bill Act, signed July 4, 2025, added \$4.1 trillion to deficits over fiscal 2025 to 2034 including interest on CBO's score ■ [CRFB](#). Through this stretch the mortgage spread averaged 242 to 243 bp (April to June 2025, on the week-average method described below), about 67 bp over its 1971 to 2026 average of 176 bp, so borrowers were paying for both a stubborn 10-year and a wide spread ■ [FRED MORTGAGE30US](#); [FRED DGS10](#).

August 2025 to February 2026: weak jobs, three cuts and spread compression took rates to 5.98%

The turn came from the labor market, not the Fed. The July 2025 jobs report on August 1 showed payrolls up 73,000 with May and June revised down by 258,000 (the figure in the BLS vintage data; Mortgage News Daily reported 253,000 that day). The 10-year fell 14 bp to 4.23% and the 2-year fell 25 bp, the largest data-day move of the whole window ■ [ALFRED PAYEMS vintages](#); [FRED DGS10](#); [MND, Aug 1, 2025](#). The August report (payrolls up 22,000, released September 5) and a preliminary benchmark revision that cut March 2025 payrolls by 911,000 (September 9) followed, and the mortgage rate fell 15 bp to 6.35% on September 11, 2025, its largest weekly drop of the window ■ [BLS, Sep 9, 2025](#); [FRED MORTGAGE30US](#).

The Fed then cut 25 bp on September 17, October 29 and December 10, 2025, to 3.50% to 3.75%, and ended balance sheet runoff on December 1 ■ [Fed statement, Oct 29, 2025](#); [Fed statement, Dec 10, 2025](#). Mortgage rates rose in the days after the September and October cuts: Powell called September a "risk management" cut and said in October that a December cut was "not a foregone conclusion" ■ [MND, Sep 17, 2025](#); [MND, Oct 29, 2025](#). Across the whole cutting cycle the mortgage rate fell **20 bp for 75 bp of cuts** (6.35% on September 11 to 6.15% on December 31, 2025), after falling 54 bp from the May high before the first cut ■ [FRED MORTGAGE30US](#). A 43-day government shutdown from October 1 to November 12, 2025 cancelled the October CPI and the October unemployment rate outright; yields drifted lower in the data vacuum and the 10-year closed at 3.97% on October 22, 2025, one of two closing lows of the window ■ [Reuters via GV Wire, Nov 19, 2025](#); [FRED DGS10](#).

The other half of the decline was the spread. On the week-average method, PMMS minus the 10-year averaged 232 bp in August 2025, 205 bp in December and 189 bp in January 2026, with a window low of **183 bp the week of January 22, 2026** ■ [FRED MORTGAGE30US](#); [FRED DGS10](#). Three things did it. Rate volatility collapsed: the MOVE index hit 58.5 on December 26, 2025, down almost 30% in six months, as reported by National Mortgage News ■ [National Mortgage News, Jan 2026](#). Fannie Mae and Freddie Mac started buying: about \$15 billion a month in October and November 2025, taking their combined agency MBS holdings from \$67.0 billion in August 2025 to \$116.1 billion in December ■ [Scotsman Guide, Jan 9, 2026](#); [Fannie Mae Monthly Summary, Aug 2026](#); [Freddie Mac Monthly Volume Summary, Aug 2026](#). And private money poured in while conventional net supply was close to zero: the Bloomberg MBS index returned 8.58% in 2025, its best year since 2002 ■ [Janus Henderson, Jan 28, 2026](#).

On January 8, 2026 President Trump said he was directing the purchase of \$200 billion of mortgage bonds through Fannie Mae and Freddie Mac. Mortgage News Daily's index fell more than 20 bp to 5.99% on January 9 and the Freddie Mac rate went from 6.16% (January 8) to 6.06% (January 15) ■ [AP via WTOP, Jan 8, 2026](#); [Scotsman Guide, Jan 15, 2026](#). Bank of America's Jeana Curro later put the announcement effect at 25 bp on spreads with 15 to 20 bp passed through to primary rates ■ [National Mortgage News, May 18, 2026](#). The Supreme Court struck down the IEEPA tariffs on February 20, 2026, the mortgage rate printed **5.98% on February 26, 2026**, the first reading under 6% since September 2022, and the 10-year closed at 3.97% on February 27, matching the October 22, 2025 low ■ [Wolf Street, Feb 20, 2026](#); [Fox Business, Feb 26, 2026](#); [FRED DGS10](#).

Volume followed. MBA's refinance index jumped 40% in the week ending January 9, 2026 and stood 128% above the prior year ■ [Floor Daily, MBA release](#). ICE counted about 585,000 first-lien refinances worth \$242 billion in the first quarter of 2026, the largest quarter since early 2022; the typical rate-and-term refinance cut the rate 97 bp after holding the prior loan only 19 months ■ [MND on ICE Mortgage Monitor, May 15, 2026](#). ICE put the refinance-eligible pool at 5.4 million after the February dip, the largest since early 2022 ■ [ICE, Mar 9, 2026](#).

February 28 to October 2026: oil, inflation and a hiking Fed took the 10-year above 5%

US and Israeli strikes on Iran began February 28, 2026, and shipping through the Strait of Hormuz, which carries about 20% of world oil supply, stalled within days ■ [Wikipedia, 2026 Iran war](#). Brent spot went from \$71.32 on February 27 to a peak of **\$138.21 on April 7, 2026** on the FRED spot series (futures-based press figures are lower; see the reconciliation section) ■ [FRED DCOILBRETEU](#). Headline CPI went from 2.4% year over year in February to 3.3% in March, 3.8% in April and a peak of 4.2% in May, and was 3.4% in both July and August 2026 ■ [FRED CPIAUCNS](#). The 10-year rose from 3.97% to 4.44% by March 27 and the mortgage rate rose five straight weeks to 6.46% on April 2 ■ [FRED DGS10](#); [FRED MORTGAGE30US](#).

From there every leg of the oil story showed up in rates. A two-week ceasefire from April 8 eased the mortgage rate to 6.23% by April 23. April CPI (released May 12) and a failed diplomatic step sent the 10-year up 12 bp to 4.59% on May 15, the same week Kevin Warsh was confirmed as Fed chair (54 to 45 on May 13; sworn in May 22, as reported by Al Jazeera) ■ [MND, May 15, 2026](#); [CBS News, May 13, 2026](#); [Al Jazeera, May 22, 2026](#). At his first meeting on June 17 the Committee held, cut the statement to about 130 words and dropped its easing bias; the 2-year rose 15 bp that day ■ [Fed statement, Jun 17, 2026](#); [Hilltop Securities, Jun 17, 2026](#); [FRED DGS2](#). A US and Iran memorandum in mid-June took Brent spot down to \$68.68 on July 3 and the mortgage rate to 6.43% on July 2, but the 10-year got no lower than 4.38% (June 26). The ceasefire collapsed on July 7 and 8, Brent spot was back at \$100.31 by July 24, three Reserve Bank presidents dissented for a hike at the July 29 meeting, and the mortgage rate reached 6.66% on July 30 ■ [FRED DCOILBRETEU](#); [Fed statement, Jul 29, 2026](#).

The last leg ran from mid-August. The 30-year Treasury closed at 5.31% on August 17, 2026, its highest close since June 2007 (Reuters reported an intraday 5.34% on August 18), and Treasury doubled the maximum size of its long-end buybacks on August 19 ■ [FRED DGS30](#); [Reuters via Yahoo Finance, Aug 19, 2026](#); [Treasury press release, Aug 19, 2026](#). At Jackson Hole on August 28 Warsh cited 12-month PCE inflation of 3.7% and said he "would be hard pressed to describe broad financial conditions as restrictive" ■ [Warsh speech, Aug 28, 2026](#). Attacks on Gulf oil infrastructure from September 9 to 15, including the Saudi East-West pipeline, took Brent spot to \$130.80 on September 15; Mortgage News Daily's daily index crossed 7% on September 10 and the 10-year closed at 5.00% on September 15 ■ [EIA Short-Term Energy Outlook, Oct 6, 2026](#); [MND, Sep 10, 2026](#); [FRED DGS10](#). On **September 16, 2026 the Fed raised the target range 25 bp to 3.75% to 4.00% by a 12-0 vote**, its first hike since July 2023; the hike was about 90% priced and the 10-year moved 1 bp on the day ■ [Fed statement, Sep 16, 2026](#); [U.S. Bank, Sep 16, 2026](#). The selling came afterward. On September 23 the 10-year rose 15 bp to 5.11%, the largest one-day rise of the window, on a day that brought a vessel strike in the Strait, a flash composite PMI of 58.4 and the weakest 5-year auction of the

window (bid-to-cover 2.21) ■ [NBC via Inland News Today, Sep 24, 2026](#); [ROIC.ai, Sep 28, 2026](#); [Treasury auction data](#). The mortgage rate printed 7.03% on September 24, the first reading above 7% since January 2025, then jumped 25 bp to 7.28% on October 1, the largest weekly rise of the window ■ [TheStreet, Sep 24, 2026](#); [FRED MORTGAGE30US](#). The 10-year rose 85 bp in the third quarter alone, from 4.44% to 5.29% ■ [FRED DGS10](#).

The first week of October brought the peak and the first relief. Brent spot printed \$135.51 on October 2, within \$3 of the April peak, before easing to \$125.44 on October 6 ■ [FRED DCOILBRENTU](#). September payrolls rose 29,000 against a FactSet consensus of about 90,000 with unemployment at 4.2% (October 2), yet the 10-year still closed up 4 bp that day ■ [BLS, Oct 2, 2026](#); [FactSet](#); [FRED DGS10](#). The 10-year set its closing high of **5.31% on October 5, 2026**, reported as the highest close since 2002, and Mortgage News Daily's daily index peaked at 7.61% the same day ■ [FRED DGS10](#); [StockTitan, Oct 2026](#); [MND, Oct 5, 2026](#). On October 7 the 10-year spiked to just over 5.36% intraday, per Mortgage News Daily, and reversed after a 10-year auction that cleared at 5.300% with a 2.77 bid-to-cover and an 80.3% indirect share ■ [MND MBS recap, Oct 7, 2026](#); [Treasury auction data](#). Freddie Mac printed 7.40% on October 8; the Mortgage News Daily index fell 9 bp that day to 7.50%, its largest one-day drop in three months, and was 7.48% on October 9 ■ [Freddie Mac PMMS](#); [MND, Oct 8, 2026](#); [MND daily index](#).

What moved the 10-year: real yields and the policy path first, term premium last

This was not an inflation-expectations blowout. The 10-year breakeven was 2.35% on October 8, 2026, within 2 bp of where it stood on April 1, 2025 (2.33%), while the 10-year TIPS real yield rose from 1.72% at the end of February 2026 to 2.87% on October 8 ■ [FRED T10YIE](#); [FRED DFII10](#). The two standard term premium models disagree on how much of the 2026 move is premium, so any slide should name the model. The New York Fed's ACM model splits the 119 bp rise in its fitted 10-year yield from February 27 to October 8, 2026 into 86 bp of higher expected short rates and 33 bp of term premium; the Fed Board's Kim-Wright model has the premium rising 62 bp over nearly the same period (0.46% on February 27 to 1.08% on October 2) ■ [NY Fed ACM term premia](#); [FRED THREEFYTP10](#). Both agree on the timing that matters: since June 30, 2026 the premium has done about half the work or more (41 bp of a 74 bp rise on the ACM measure; 0.70% to 1.08% on Kim-Wright). That is the part of the selloff that a Fed pause does not reverse. The cited causes are the oil shock, a \$1,993 billion fiscal 2026 deficit, heavy AI-related corporate borrowing competing for capital, falling foreign official holdings and a global selloff in which the 10-year JGB hit 3% for the first time since 1996 ■ [CBO Monthly Budget Review, Sep 2026](#); [Treasury TIC data](#); [FOMC minutes, Sep 2026](#); [Euronews, Sep 1, 2026](#).

Five things the look back proves

First, the fed funds rate is not the mortgage rate. Seventy-five basis points of cuts in late 2025 bought 20 bp on the 30-year, and in the four months after the 50 bp cut of September 2024 the mortgage rate rose 96 bp from its post-cut low (6.08% on September 26, 2024 to 7.04% on January 16, 2025) ■ [FRED MORTGAGE30US](#). On October 8, 2026 the mortgage rate sat 340 bp above the fed funds upper bound, against 214 bp on April 3, 2025; that gap is 122 bp of curve (10-year over fed funds) plus 218 bp of mortgage spread ■ [FRED MORTGAGE30US](#); [FRED DGS10](#); [FRED DFEDTARU](#).

Second, 2025 was a spread story and 2026 is a Treasury story. From the May 29, 2025 high to the February 26, 2026 low the mortgage rate fell 91 bp: 41 bp from the 10-year and 50 bp from the spread (this analysis's arithmetic on the same-day FRED figures, 6.89% and 4.43% against 5.98% and 4.02%). From February 26 to October 8, 2026 it rose 142 bp: about 120 bp from the 10-year and about 20 bp from the spread. KBW's September 28, 2026 read is the same: the 10-year up 120 bp since February, spreads wider by only about 20 ■ [National Mortgage News, Sep 28, 2026](#).

Third, the survey you quote changes the headline. Freddie Mac's number is a Thursday-to-Wednesday average and lags fast markets: on September 24, 2026 it printed 7.03% while the Mortgage News Daily index was 7.45%. In the week of October 5 to 9, 2026 the benchmarks read 7.40% (Freddie Mac, October 8), 7.48% (MND, October 9), 7.49% with 0.84 points (MBA, week ending October 2) and 7.53% (Bankrate, October 7). About 7.5% describes live rate sheets better than 7.40% does ■ [MND, Sep 24, 2026](#); [MBA Newslink, Oct 7, 2026](#); [Bankrate, Oct 7, 2026](#).

Fourth, bad news stopped being good news for rates. In April 2025, in the first quarter of 2026 and in September 2026, yields rose while equities or credit weakened. Payroll misses that moved the 10-year 14 bp in August 2025 moved it 4 bp or less in either direction in 2026 (February, July and September reports), because the breakeven pace of job growth has fallen to somewhere between zero and about 90,000 a month and the market's question changed from how fast the Fed cuts to how far it hikes ■ [FRED DGS10](#); [St. Louis Fed, Mar 2026](#); [Fed FEDS Note, Apr 2, 2026](#).

Fifth, oil works like a ratchet. Each escalation raised yields more than each ceasefire lowered them: with Brent spot under \$70 in early July 2026 the 10-year was still near 4.4% to 4.5%, about 45 to 50 bp above its pre-war level ■ [FRED DCOILBRENTU](#); [FRED DGS10](#). As long as core inflation is running near 3%, oil up moves rates more than oil down.

The spread compressed about 55 bp by January 2026 and has given back about 20

The mortgage spread is the one piece of the rate that the housing-finance system itself controls, and it has already done most of what it can. On the week-average method (PMMS minus the average 10-year close over the Friday-to-Thursday window ending on the print date), the spread averaged 243 bp in April 2025, 189 bp in January 2026, between 191 and 201 bp in every month from February to September 2026, and 208 bp over the first two prints of October. The October 8, 2026 print is **213 bp on the week-average 10-year (5.27%) and 218 bp on the same-day close (5.22%)**. For scale: the 1971 to 2026 average is 176 bp, the 1990 to 2019 average is 166 bp, the 2023 average was 285 bp with a peak of 310 bp the week of June 1, 2023, and the 2021 average under Fed purchases was 151 bp ■ [FRED MORTGAGE30US](#); [FRED DGS10](#). Freddie Mac's own survey window runs Thursday to Wednesday; on that window the October 8 figure is 212 bp, the low is 184 bp in the week of February 5, 2026 and the 2023 peak is 305 bp, all within a few bp of the figures used here. Today's spread is about 40 bp above the long-run average and about 97 bp inside the 2023 peak.

The spread has two halves and only one of them moves. At the four quarter-ends from September 2025 to June 2026 the headline spread split into a secondary piece (current-coupon MBS yield over the 10-year) of 104, 85, 106 and 97 bp and a primary-secondary piece (the survey rate over the current-coupon yield) of 110, 112, 102 and 108 bp. That is the research team's arithmetic on current-coupon yields published by Morgan Stanley Investment Management and Eaton Vance, and the December 2025 secondary figure of 85 bp matches the Boston Fed's independent estimate ■ [MSIM Q4 2025 monitor](#); [Eaton Vance Q2 2026 monitor](#); [Boston Fed, May 19, 2026](#). The primary-secondary piece stayed in a 100 to 112 bp band at those quarter-ends. On the daily data it ran 96 to 123 bp in 2026, hit 117 to 121 bp from September 30 to October 7 as lenders padded for volatility, and was 112 bp on October 9, against a 102 to 104 bp average in 2014 to 2019 ■ [MBS Live daily TBA, Treasury and rate-index closes, accessed Oct 10, 2026](#). So it has a little slack, about 5 to 10 bp as volatility settles, and no more than that: guarantee fees are flat at about 64 bp on Urban Institute's all-in measure (Freddie Mac's 10-Q reports 54 bp on new business in both the second quarter of 2026 and of 2025, a figure that appears to exclude the 10 bp fee remitted to Treasury; that reading is this analysis's inference, since the research files do not reconcile the two), and independent mortgage banks earned 25 bp of production profit in the second quarter of 2026 against a 39 bp average since 2008 ■ [Urban Institute chartbook, Sep 2026](#); [Freddie Mac Q2 2026 10-Q](#); [HousingWire on MBA Q2 2026 results](#).

The secondary half follows volatility, the curve and the marginal buyer. The Boston Fed estimates that a 10 bp rise in swaption implied volatility widens the coupon spread about 15 bp and that a one-point steepening of the 2s10s curve narrows it about 40 bp ■ [Boston Fed, May 19, 2026](#). That fits 2026. The MOVE index closed at 104.58 on September 24, 2026, its first close above 100 in at least three months, and finished September at 106.6, up about 35% on the month; it closed at 98.5 on October 9 on the TradingView series (99.1 on The Right Trader's page), all as reported by Saxo, FinanzaOnline and The Right Trader's index page ■ [Saxo, Sep 25, 2026](#); [FinanzaOnline, Oct 1, 2026](#); [The Right Trader MOVE page](#). Fannie Mae 6.0% coupon option-adjusted spreads were 9 bp wider than at the start of September as of October 2, after peaking 14 bp wider, the widest since April 2025, and the Bloomberg MBS index lost 3.3% in September with a 1.0% loss against Treasuries ■ [Santander US Capital Markets, Oct 2, 2026](#); [ZeroHedge citing BofA, Oct 7, 2026](#).

The \$200 billion directive delivered about \$39 billion

The January 2026 purchase directive is real policy with a real announcement effect and a small flow. FHFA lifted each company's internal agency MBS sub-limit from \$40 billion to \$225 billion on January 12, 2026 ■ [AP via Fortune, Jan 24, 2026](#). Combined agency MBS holdings rose \$50.5 billion from December 2025 to April 2026 and fell \$11.6 billion from May to August, for a **net increase of \$39.0 billion through August 31, 2026**, under 20% of the headline ■ [Calculated Risk, Lawler, Sep 28, 2026](#); [Fannie Mae Monthly Summary, Aug 2026](#); [Freddie Mac Monthly Volume Summary, Aug 2026](#). About three quarters of it was Fannie Mae; Freddie Mac added about \$11 billion by February and has been flat since. The binding limit is the **\$225 billion per company cap on mortgage assets in the Treasury stock purchase agreements**, which has not been amended; on a cap basis the two companies held \$175.2 billion and \$159.5 billion at the end of August 2026, leaving about \$115 billion of combined room ■ [Fannie Mae Q2 2026 10-Q](#); [Freddie Mac Q2 2026 10-Q](#); [Santander US Capital Markets, Oct 2, 2026](#). The companies behave like a price-sensitive relative-value account: they bought hardest in March 2026 when the war widened spreads and were net sellers from

May to July when spreads were tight. They are also carrying the rate risk. Fannie Mae's duration gap went from 0.06 years in August 2025 to 1.25 years in August 2026, and its loss on a 50 bp rate shock went from \$51 million to \$1,531 million ■ [Fannie Mae Monthly Summary, Aug 2026](#). FHFA Director Pulte posted on September 18, 2026 that the companies were "beginning to buy even more, large quantities," with no dollar figure and no cap change; the September monthly summaries due in late October are the first test ■ [Scotsman Guide, Sep 18, 2026](#).

Against that bid, the Fed is still a net supplier. Runoff ended for Treasuries on December 1, 2025, but all agency principal is reinvested in Treasury bills, so the Fed's MBS book fell from \$2,189 billion on April 2, 2025 to **\$1,898 billion on October 7, 2026**, about \$16 billion a month ■ [FRED WSHOMCB; Fed H.4.1, Oct 8, 2026](#). Over the twelve months to August 2026 the two enterprises added about \$88 billion of agency MBS while the Fed ran off about \$190 billion: the official sector as a whole was still a net seller of roughly \$100 billion (the research team's sums from the monthly summaries and FRED).

What has kept the spread from widening more is supply. Urban Institute's measure of net agency issuance was \$46.5 billion for January through August 2026 against \$122.1 billion in the same months of 2025, with Fannie Mae and Freddie Mac net negative (\$46.9 billion of shrinkage) and Ginnie Mae supplying all the growth; dealer and REIT estimates of 2026 "net supply" run about \$150 to \$160 billion on a different definition that the research could not reconcile with Urban's, so the two should not be blended ■ [Urban Institute chartbook, Sep 2026; Annaly Q2 2026 call; AGNC Q2 2026 call summary](#). Santander expects 2027 net supply to run \$3 to \$6 billion a month lighter than 2026 ■ [Santander US Capital Markets, Sep 18, 2026](#).

The floor is about 180 to 185 bp, and reaching it depends on volatility

The market reached 183 bp in January 2026 with everything lined up (MOVE near 60, a 70 bp 2s10s curve, minimal net supply, record fund inflows and a new official buyer) and could not hold it for a month. That is not the hard floor it looks like. On the Mortgage News Daily daily basis, the total spread averaged 176 bp in 2014 to 2017 and 181 bp in 2018 to 2019, and the Fed was shrinking its book in 2018 to 2019 ■ [MBS Live daily TBA, Treasury and rate-index closes, accessed Oct 10, 2026](#). The fair-value fit in the next section gives a secondary spread of about 77 to 80 bp at a MOVE-like volatility of 60 and a 100 bp 2s10s curve, which is about 182 to 185 bp all-in. This analysis's working range for the forward window is **180 to 230 bp on the daily basis (about 190 to 225 bp on the Freddie Mac week-average basis)**. Today's 224 bp on the daily basis leaves **about 40 bp of room, but only if volatility falls**. At today's volatility and curve the spread is at fair value, not cheap.

The direction of a rally matters more than the old rule that spreads lag. Every loan closed at 7% or more today is a fast-prepaying pool tomorrow, and when the rate touched 5.98% in February 2026 the share of agency borrowers at least 50 bp in the money went to 11.5% and the fastest 2025-vintage 6.5% pools prepaid at about 59 to 60 CPR by March; the share was 2.7% in Urban's September 2026 chartbook ■ [Urban Institute chartbook, Sep 2026; FHFA Prepayment Monitoring Report, Q1 2026](#). That convexity cost shows up on the first days of a rally: in 2026 the daily index moved 0.99 for each point of the 10-year on up days and 0.71 on down days. Over a full rally the result has been the opposite. In three of the last four rally legs the mortgage rate fell more than the 10-year, because volatility fell and the secondary spread

tightened 37 to 45 bp: October to December 2023 (1.19 times the 10-year move), April to September 2024 (1.30 times) and May 2025 to February 2026 (1.66 times). The exception was the tariff leg of January to April 2025 (0.84 times), when volatility rose. **A rally led by falling volatility (peace, a Fed that is done) passes through more than one for one. A rally led by a shock (recession, crisis) lags.**

What the full market data shows

The look back above rests on weekly survey data and quarter-end spread estimates. For this revision the analysis rebuilt the spread from daily closes since 2009: the UMBS and Ginnie Mae 30-year coupon stack from 2.0 to 8.0, the Treasury curve from 2 to 30 years, and the Mortgage News Daily rate indexes

■ MBS Live daily TBA, Treasury and rate-index closes, accessed Oct 10, 2026, plus futures and global markets ■

TradingView futures and index closes, accessed Oct 10, 2026. The par coupon is interpolated where the TBA price stack crosses 100. The secondary spread is the par coupon over the 10-year, and the primary-secondary spread is the Mortgage News Daily 30-year over the par coupon. All figures below are on that daily basis and are this analysis's arithmetic on licensed data; the raw series are not reproduced.

The 2026 rise was the 10-year. From February 27 to October 9, 2026 the daily index went from 5.99% to 7.48%. The 10-year added 130 bp, the secondary spread 22 bp and the primary-secondary spread minus 3 bp. The coupon stack shows it: UMBS 6.0s went from 102.61 to 98.28 and the par coupon from 4.84% to 6.36%.

PERIOD	SECONDARY (BP)	PRIMARY-SECONDARY (BP)	TOTAL (BP)
QE1 (2009-10)	81	63	144
2014-17	72	104	176
QT, 2018-19	78	102	181
QE4 (2020-21)	50	119	183
2023	173	127	299
2025	122	116	238
Jan-Feb 2026	82	114	195
War, Mar 1 to Sep 15, 2026	99	111	210
Since the Sep 16 hike	111	115	226
Oct 9, 2026	112	112	224

The secondary spread's low was 70 bp on January 9, 2026, the day after the enterprise purchase directive. It sits at the 59th percentile of its range since 2009 and the total spread at the 71st.

Fair value. Outside the quantitative easing years, the secondary spread is explained mostly by realized 10-year volatility and the slope of the curve: secondary = $67.1 + 0.628 \text{ times } 21\text{-day realized volatility (bp a year)}$ minus $0.276 \text{ times the } 2s10s \text{ slope (bp)}$, with an R-squared of 0.77. On October 9 the fit gives 111 bp

against 112 bp actual. At volatility of 60 and a 100 bp curve it gives about 77 to 80 bp; at volatility of 60 and today's 45 bp curve, about 92 bp; at volatility of 115 and a 30 bp curve, about 131 bp. The 2023 peak of about 160 bp needed an inverted curve (2s10s near minus 64 bp) and volatility near 119. A bear-steepening sell-off to a 6% 10-year would most likely widen the secondary spread 20 to 30 bp, not 50 to 60.

The market's own forecast. Futures price a more hawkish Fed than the Fed does. On October 9 the fed funds futures strip implied an effective rate of 4.07% for December 2026, 4.31% for March 2027, 4.58% for June 2027, 4.69% for December 2027 and 4.80% for December 2028; three-month SOFR futures implied 4.23%, 4.51%, 4.68% and 4.76% for December 2026, March 2027, June 2027 and December 2027. That is about three more hikes from the 3.88% effective rate and no cuts through 2028, against a Fed median dot of 4.1% at the end of 2027 ■ [TradingView futures and index closes, accessed Oct 10, 2026](#); [Fed SEP, Sep 16, 2026](#). Brent futures are in steep backwardation: \$104.72 for December 2026, \$91.47 for June 2027, \$83.88 for December 2027 and \$76.48 for December 2028, against dated Brent spot of \$125 on October 6. The futures curve already prices about \$20 of relief in the next three months and is \$5 to \$10 above EIA's path for 2027.

Core inflation momentum. The year-over-year numbers hide the trend. Core PCE rose at about a 2.0% annualized pace over the three months to August 2026 and 2.7% over six months; core CPI at about 2.0% and 2.6% ■ [FRED PCEPILFE](#); [FRED CPILFESL](#). The Fed is hiking on headline inflation, household expectations and financial conditions, not on core momentum. That is the strongest fact on the side of lower rates.

Global anchors. On October 9 the 10-year JGB was 3.00%, the 10-year gilt 5.44% and the 10-year Bund 3.47%, against 1.57%, 4.66% and 2.67% in September 2025 ■ [TradingView futures and index closes, accessed Oct 10, 2026](#). There is no low-yield market left to pull Treasuries down.

Where the market stands on October 9, 2026

Rates are at three-year highs and came off the peak late in the week. The table gives the starting point for everything that follows.

MEASURE	LATEST READING	AS OF	SOURCE
Freddie Mac PMMS 30-year / 15-year	7.40% / 6.73%	Oct 8, 2026	Freddie Mac
Mortgage News Daily 30-year index	7.48% (peak 7.61% on Oct 5)	Oct 9, 2026	MND
MBA 30-year conforming contract rate	7.49% with 0.84 points; jumbo 7.39%; FHA 7.14%; 5/1 ARM 6.43%	Week ending Oct 2, 2026	MBA Newslink
Optimal Blue conforming 30-year	7.424%	Oct 8, 2026	FRED OBMMIC30YF

MEASURE	LATEST READING	AS OF	SOURCE
10-year Treasury	5.24% on Oct 9 (5.22% Oct 8; closing high 5.31% on Oct 5; intraday just over 5.36% on Oct 7)	Oct 9, 2026	FRED DGS10 ; MND
2-year / 30-year Treasury	4.79% / 5.60% (2s10s 45 bp)	Oct 9, 2026	FRED DGS2 ; FRED DGS30
Fed funds target range	3.75% to 4.00%	Since Sep 17, 2026	Federal Reserve
PMMS minus 10-year	213 bp (week-average 10-year) / 218 bp (same-day close)	Oct 8, 2026	Computed from FRED
MOVE index	98.5 (113.6 on Oct 5; 61.6 on Jan 9, 2026)	Oct 9, 2026	TradingView futures and index closes, accessed Oct 10, 2026
10-year term premium	0.92% on the ACM model (Oct 8); 1.08% on Kim-Wright (Oct 2)	Oct 2026	NY Fed ; FRED THREEFYTP10
10-year real yield / breakeven	2.87% / 2.35%	Oct 8, 2026	FRED DFII10 ; FRED T10YIE
Headline CPI	3.4% year over year	Aug 2026	FRED CPIAUCNS
PCE / core PCE	3.4% / 3.0% year over year	Aug 2026 (released Sep 30 with BEA's annual update)	BEA
Unemployment / payrolls	4.2% / up 29,000	Sep 2026 (released Oct 2)	BLS
Atlanta Fed GDPNow, third quarter	3.6%	Oct 8, 2026	Atlanta Fed
Brent crude	\$125.44 spot (Oct 6); about \$104.80 in an Oct 8 market commentary quote	Oct 6 and Oct 8, 2026	FRED DCOILBRENTU ; StoneX
Fed MBS holdings	\$1,898 billion	Oct 7, 2026	Fed H.4.1
Odds of a hike on Oct 28 / by Dec 9	About 17% to 21% / about 70% to 85%	Oct 7 to 8, 2026	Scotsman Guide ; StoneX ; Waller speech

Inflation. The Fed's preferred gauge, core PCE, was 3.0% in August 2026 after BEA's September 30 annual update, a full point above target on a year-over-year basis, though only about 2.0% annualized over the three months to August. Before that revision the first-print run rate was 3.3% to 3.4% and Fed staff had estimated August at 3.4% (3.2% under BEA's new methodology), so the Committee hiked on September 16 while looking at numbers higher than the ones now published ■ [BEA](#); [FOMC minutes](#), Sep 2026. The Cleveland Fed's nowcast for September headline CPI, due October 14, was 3.60% year over year as of October 8 ■ [Cleveland Fed](#). Core CPI was 2.4% to 2.5% year over year in August 2026 (2.45% on both the seasonally adjusted and unadjusted FRED series). The gap to core PCE at 3.0% is unusually wide, so a slide that quotes only core CPI understates the inflation the Fed is reacting to ■ [FRED CPILFENS](#); [FRED CPILFESL](#). Market-based long-run expectations are anchored (10-year breakeven 2.35% on October 8), but household surveys are drifting: the University of Michigan one-year measure was 4.6% and its 5-

to-10-year measure 3.4% in the September 2026 final reading, and the New York Fed's one-year measure was 3.9% in September, reported as its highest since 2023 ■ [UMich Surveys of Consumers](#); [NY Fed](#), Oct 7, 2026.

The Fed. The September 16, 2026 projections put the median fed funds rate at 4.1% at the end of 2026, 4.1% at the end of 2027 and 3.9% at the end of 2028, with a longer-run rate of 3.2%: one more hike this year, none in 2027, one cut in 2028. Sixteen of 18 participants see at least one more hike in 2026 and eight have the rate 50 bp higher than today at the end of 2027 ■ [Fed SEP, Sep 16, 2026](#). The minutes say most participants judged another increase "would likely be appropriate by year end," and Fed staff do not see inflation at 2% until 2029 ■ [FOMC minutes, Sep 2026](#). Since the meeting, Williams has said there is "no need for urgency" (September 29, as reported by [investing.com](#)) and Waller has said he anticipates additional hikes that "do not need to come at consecutive meetings" (October 8) ■ [investing.com analysis, Oct 2026](#); [Waller speech, Oct 8, 2026](#). Chair Warsh does not submit a projection, says he is "not in the forward guidance business," and has a task force that could change the projections format by year-end ■ [Warsh press conference, Sep 16, 2026](#); [Warsh press conference, Jun 17, 2026](#). October looks like a hold and December is the market's base case for the next hike.

Demand and lock-in. MBA's refinance index for the week ending October 2, 2026 was 56% below the year-earlier level and the purchase index 15% below; refinance applications are at their lowest since January 2025, and the ARM share is 10.3% ■ [MBA Newslink, Oct 7, 2026](#); [AP via KSAT, Oct 8, 2026](#). Existing-home sales ran at a 3.98 million annual rate in August 2026, the slowest in more than a year ■ [NAR, Sep 10, 2026](#). On FHFA's database for the second quarter of 2026, 49.1% of outstanding mortgages carry a rate below 4%, 65.6% below 5% and 77.6% below 6%, with an average rate of 4.4% ■ [FHFA National Mortgage Database](#). The demand thresholds analysts cite are a band, not a number: purchase data improve below roughly 6.6%, refinance volume responds near 6.0% to 6.1%, and purchase applications turned negative year over year once rates passed 7% ■ [HousingWire, Sep 16, 2026](#); [ICE, Feb 9, 2026](#). The practical read for a secondary desk: the refinance pool is at its floor, extension risk has replaced call risk, and every loan locked this quarter is the fast-prepaying cohort of the next rally.

Every published mortgage forecast sits below the market, and most are stale

There is no usable consensus on mortgage rates right now, and this report does not invent one. The two forecasts the industry plans around, MBA and Fannie Mae, were built before the 10-year closed above 5% and before the 7.40% print. The only forecaster with a vintage dated after the late-September spike is NAHB.

FORECASTER	PUBLISHED	Q4 2026	2027	2028	STATUS
MBA	Sep 16, 2026	6.8%	6.8% (Q1, Q2); 6.7% (Q3, Q4)	6.7% (Q4)	PRE-SPIKE : predates the 10-year above 5% and the 7.40% print

FORECASTER	PUBLISHED	Q4 2026	2027	2028	STATUS
Fannie Mae	Sep 11, 2026 (rates as of Aug 31)	6.8%	6.7% every quarter	Not in horizon	PRE-SPIKE : same reason
NAHB	Oct 2, 2026	2026 average 6.62% (implies about 7.3% for Q4)	Average 7.03%	Average 6.64%	Current; the only vintage after the late-September spike
Wells Fargo Economics	Aug 2026, as reported	6.40%	6.35% (Q1); 6.30% after	Not found	PRE-SPIKE
KBW	Reported Sep 21, 2026	6.5% at year-end, on a 4.75% 10-year	n/a	n/a	PRE-SPIKE : overtaken within days
NAR	Jun 16, 2026	2026 average 6.5%	None found	n/a	PRE-SPIKE
Moody's Analytics	As reported Feb 15, 2026	6.22%	n/a	n/a	PRE-SPIKE
Morgan Stanley	As reported Feb 15, 2026	5.75% at year-end	n/a	n/a	PRE-SPIKE
Redfin; Realtor.com	Dec 2025	2026 average 6.3%	n/a	n/a	PRE-SPIKE

■ Sources: [MBA Mortgage Finance Forecast, Sep 2026](#); [Fannie Mae Housing Forecast, Sep 2026](#); [NAHB forecast file, Oct 2, 2026](#); [MortgagePoint on Wells Fargo](#); [National Mortgage News, Sep 21, 2026](#); [NAR, Jun 16, 2026](#); [ResiClub via Yahoo Finance, Feb 15, 2026](#); [Scotsman Guide, Dec 8, 2025](#). The NAHB fourth-quarter figure is this analysis's arithmetic from its annual average and the actual first three quarters.

What stale implies is specific. For the MBA and Fannie Mae fourth-quarter average of 6.8% to verify, the Freddie Mac rate would have to average about 6.7% over the remaining twelve weekly prints of the quarter after opening at 7.28% and 7.40%: a 70 bp drop, immediately. These forecasts are also not independent views of the future. Each 2026 revision has roughly equaled the change in spot rates since the prior vintage, with the path drawn flat from there. Fannie Mae's end-2026 call went from 5.7% in its March 2026 vintage (marked to the February low) to 6.8% in August and September, a 110 bp swing in five months; MBA's went from 6.1% in January to 6.8% in September ■ [Fannie Mae Housing Forecast, Mar 2026](#); [MBA Mortgage Finance Forecast, Jan 2026](#). Read them as a description of the day they were written plus a flat line. The October vintages (Fannie Mae in mid-October, MBA at its annual convention) were not published as of October 9 and will most likely move up toward NAHB. Only Fannie Mae assumes any spread relief: the gap between MBA's mortgage and 10-year paths is 2.0 points throughout and NAHB's is about 1.95, while Fannie Mae's path narrows the gap to about 1.8 points by late 2027 (6.7% against 4.9%).

The volume forecasts carry the same flaw. MBA (September 16, stale) has originations at \$2,123 billion in 2026, \$2,101 billion in 2027 and \$2,160 billion in 2028; Fannie Mae (September 11, stale) has \$2,121 billion and \$2,279 billion for 2026 and 2027, with \$802 billion of 2027 refinances against MBA's \$634 billion on nearly the same rate path ■ [MBA, Sep 2026](#); [Fannie Mae, Sep 2026](#). Both are built on 6.7% to 6.8% rates, as are their 2027 existing-home sales calls of 4.242 million and 4.215 million. At 7.25% or higher they are upside cases, and BTIG's Douglas Harter said as much on September 21: rates pricing above 7% introduce "further downside risk to the forecasts next month" ■ [National Mortgage News, Sep 21, 2026](#).

Current 10-year forecasts run from 4.70% to 5.75% for the end of 2027

Bank forecasts for the 10-year were revised after the September hike, and the research has them only through secondary summaries of paywalled notes (Bloomberg as carried by SBS, Finvaulta, GuruFocus and ZeroHedge). They are dispersed, and the dispersion is the message.

FORECASTER	DATE	END OF 2026	2027 AND 2028	STATUS
Goldman Sachs	About Oct 7, 2026	4.75%	n/a	Current (secondary summary)
Bank of America	About Oct 7, 2026	5.0% (4.5% as late as Aug 19)	4.75% at end-2027	Current (secondary summary)
Citigroup	About Oct 7, 2026	5.0%	n/a	Current (secondary summary)
JPMorgan	Sep 17, 2026	5.05% (horizon not stated in the source)	n/a	Current (secondary summary)
Barclays	About Oct 7, 2026	n/a	5.25% in Q3 2027	Current (secondary summary)
Morgan Stanley	Sep 24, 2026	n/a	4.70% at end-2027; 3.80% in an oil-led recession	Current (secondary summary)
Wells Fargo Investment Institute	Sep 30, 2026	n/a	5.25% to 5.75% at end-2027	Current
Reuters strategist poll	Oct 5 to 7, 2026	5.00% median	4.90% in six months; 4.75% in one year	Current; as reported by ZeroHedge, which also reports that the poll underestimated the 10-year in nine straight monthly polls in 2026
NAHB	Oct 2, 2026	2026 average 4.66%	2027 average 5.08%; 2028 average 4.70%	Current
MBA	Sep 16, 2026	4.8% (Q4)	4.7% (Q4 2027 and 2028)	PRE-SPIKE
Fannie Mae	Sep 11, 2026	4.8% (Q4)	4.9% (Q4 2027)	PRE-SPIKE
Survey of Professional Forecasters	Aug 14, 2026	4.52% (Q4)	4.39% (2027 average); 4.27% (2028)	PRE-SPIKE
CBO	Feb 11, 2026	4.1% (2026 average)	4.3% (2027)	PRE-SPIKE : CBO's own Oct 8, 2026 scenario paper tests 4.8% and 5.8% paths

■ Sources: SBS citing Bloomberg, Oct 8, 2026; ZeroHedge citing BofA and the Reuters poll, Oct 7, 2026; GuruFocus on JPMorgan, Sep 17, 2026; Morgan Stanley via Finvaulta, Sep 24, 2026; Wells Fargo Investment Institute via Yahoo Finance, Sep 30, 2026; NAHB; MBA; Fannie Mae Economic Forecast, Sep 2026; Philadelphia Fed SPF, Q3 2026 and its [full release](#); CBO outlook, Feb 2026; CBO scenarios, Oct 8, 2026.

In this analysis's reading, the split between Morgan Stanley (4.70%) and Wells Fargo Investment Institute (5.25% to 5.75%) for the end of 2027 mostly reflects where each expects the Fed to stop: 4.25% to 4.50% against 4.75% to 5.00%. Pimco's Dan Ivascyn said on October 9, 2026 that a 6% 10-year is "feasible," as reported by Reuters ■ [Reuters via Yahoo Finance, Oct 9, 2026](#).

The market-implied path is higher than today, not lower

The Fed's fitted zero-coupon curve for October 2, 2026 had the 10-year at 5.28% spot, 5.43% one year forward, 5.53% two years forward and 5.63% three years forward (the research team's calculation from the published curve) ■ [Federal Reserve GSW yield curve data](#). MBA and Fannie Mae (both stale) have the 10-year at 4.7% to 4.9% through 2027, so the forward curve sits roughly 55 to 85 bp above the forecasts the industry is planning on. At today's 2.0 to 2.2 point spread the forwards translate to a 30-year fixed of roughly 7.4% to 7.6% one year out and 7.5% to 7.7% two years out. That is arithmetic, not a published forward, and forwards include term premium, so they overstate the expected path somewhat. For the policy rate, the last firm read on the peak is Schwab's figure of about 4.6% implied for June 2027 (futures as of September 17, in an article dated September 23) and Morgan Stanley's September 24 figure of 4.73% for the end-2027 upper bound, both taken before the October 2 jobs report softened pricing; the research has no verified strip beyond December 2026 ■ [Schwab, Sep 23, 2026](#); [Morgan Stanley via Finvaulta](#). The market prices more tightening than the Fed's median dot, which leaves room for rates to fall if the Fed delivers only its dots and room to rise if it validates the market.

The scorecard: accurate when nothing happens, low when something does

The record below scores forecasts against Freddie Mac actuals: a fourth-quarter 2025 average of 6.23%, a second-half 2025 average of 6.39%, and for 2026 a year-to-date average of 6.46% and a fourth quarter to date of 7.34% ■ [FRED MORTGAGE30US](#). **Every 2026 miss is provisional until year-end.** The fourth-quarter figure is two weekly prints, and a rally would shrink these misses.

FORECASTER (VINTAGE)	CALL FOR Q4 2025	MISS VS ACTUAL 6.23%	CALL FOR Q4 2026	PROVISIONAL MISS VS 7.34% TO DATE
Fannie Mae (Apr 2025)	6.2%	3 bp low	6.0%	134 bp low
Fannie Mae (May 12, 2025)	6.1%	13 bp low	5.8%	154 bp low
MBA (Apr 11, 2025)	6.7%	47 bp high	6.4%	94 bp low
MBA (May 16, 2025)	6.6%	37 bp high	6.3%	104 bp low
NAR (Jun 3, 2025)	6.4% average for second half of 2025	1 bp high (actual 6.39%)	6.1% average for 2026	36 bp low vs 6.46% year to date

■ Sources: [Fannie Mae Housing Forecast, Apr 2025](#); [Fannie Mae, May 2025](#); [MBA, Apr 2025](#); [MBA, May 2025](#); [Scotsman Guide on NAR, Jun 3, 2025](#).

FORECASTER (VINTAGE)	CALL FOR 2026	OUTCOME SO FAR	PROVISIONAL MISS
Fannie Mae (Dec 10, 2025)	2026 average 6.0%; Q4 5.9%	6.46% year to date; Q4 to date 7.34%	Average 46 bp low; Q4 144 bp low
MBA (Dec 12, 2025)	6.4% in every quarter	Q1 6.11%, Q2 6.41%, Q3 6.68%, Q4 to date 7.34%	Q1 29 bp high; Q2 1 bp low; Q3 28 bp low; Q4 94 bp low
NAR (Nov 14, 2025)	About 6% average	6.46% year to date	46 bp low
NAHB (as reported Feb 2026)	6.17% average	6.46% year to date	29 bp low
Wells Fargo (as reported Feb 2026)	6.18% average; Q4 6.2%	6.46%; Q4 to date 7.34%	Average 28 bp low; Q4 114 bp low
Redfin; Realtor.com (Dec 2025)	6.3% average (Realtor.com Q4 6.3%)	6.46%; Q4 to date 7.34%	Average 16 bp low; Q4 104 bp low
Cotality (as reported Feb 2026)	6.2% average	6.46% year to date	26 bp low
Moody's (as reported Feb 2026)	6.23% average; Q4 6.22%	6.46%; Q4 to date 7.34%	Average 23 bp low; Q4 112 bp low
Morgan Stanley (as reported Feb 2026)	5.75% at year-end	7.40% latest	165 bp low
Fannie Mae (Mar 10, 2026, its low-water mark)	Q4 5.7%; average 5.8%	Q4 to date 7.34%; 6.46% year to date	Q4 164 bp low; average 66 bp low

■ Sources: [Fannie Mae Housing Forecast, Dec 2025](#); [MBA, Dec 2025](#); [NAR, Nov 14, 2025](#); [ResiClub via Yahoo Finance, Feb 15, 2026](#); [Scotsman Guide, Dec 8, 2025](#); [Fannie Mae, Mar 2026](#).

FORECASTER (VINTAGE)	TARGET	FORECAST	ACTUAL	MISS
Fannie Mae (Dec 12, 2022)	Q4 2023	6.0%	7.30%	130 bp low
Fannie Mae (Dec 12, 2022)	2023 average	6.3%	6.81%	51 bp low
Fannie Mae (Dec 12, 2022)	Q4 2024	5.4%	6.63%	123 bp low
MBA (Oct 15, 2023)	Q4 2024	6.1%	6.63%	53 bp low
MBA (Oct 15, 2023)	Q4 2025	5.5%	6.23%	73 bp low
MBA (Oct 15, 2023)	Q4 2026	5.4%	7.34% to date	About 194 bp low (provisional)
Fannie Mae (Dec 2023)	Q4 2024	6.5%	6.63%	13 bp low
Fannie Mae (Jan 2024)	Q4 2024	5.8%	6.63%	83 bp low
Fannie Mae (Jan 2024)	2024 average	6.1%	6.72%	62 bp low
Fannie Mae (Jan 2024)	Q4 2025	5.5%	6.23%	73 bp low
MBA (Oct 27, 2024)	Q4 2025	5.9%	6.23%	33 bp low
MBA (Dec 20, 2024)	Q4 2025	6.4%	6.23%	17 bp high

FORECASTER (VINTAGE)	TARGET	FORECAST	ACTUAL	MISS
Fannie Mae (Dec 2024)	Q4 2025	6.2%	6.23%	3 bp low
Fannie Mae (Jan 2025) and MBA (Jan 19, 2025)	Q4 2025	6.5% each	6.23%	27 bp high each

■ Sources: [Fannie Mae, Dec 2022](#); [Fannie Mae, Dec 2023](#); [Fannie Mae, Jan 2024](#); [Fannie Mae, Dec 2024](#); [Fannie Mae, Jan 2025](#); [MBA, Oct 2023](#); [MBA, Oct 2024](#); [MBA, Dec 2024](#); [MBA, Jan 2025](#).

Three conclusions follow. First, the bias is low. Of the 15 Fannie Mae and MBA calls in the longer-record table, 12 were below the outcome and 3 above. Across all three tables this report scores 31 Fannie Mae and MBA calls: 25 low and 6 high. Five of the six high calls were for the fourth quarter of 2025 (four of them MBA's) and the sixth was MBA's first-quarter 2026 call. Ten of the 25 low calls are for the fourth quarter or the full year of 2026 and remain provisional, and three are misses of 3 bp or less on forecasts published to one decimal. The vintages scored are a selection, not the complete monthly series: the spring 2025 vintages that open this window, the December 2025 vintages for 2026, Fannie Mae's March 2026 low-water mark, and selected autumn and winter vintages back to December 2022. Second, one-year-ahead accuracy has been good when the 10-year stayed in a range: two Fannie Mae calls for the fourth quarter of 2025 (December 2024 and April 2025) landed within 3 bp in a year when the 10-year closed between 3.97% and 4.58% from April on (3.97% to 4.79% for all of 2025), and each large miss (2023, 2024, 2026) came with a 10-year move the forecast did not contain; the causal link is this analysis's reading of the record ■ [FRED DGS10](#). Third, forecast dispersion understates risk: the spread across houses in late 2025 was about 65 bp (5.75% to 6.4%), while the realized range inside 2026 alone is 142 bp. MBA did better than Fannie Mae on 2026 because none of its late-2025 or 2026 vintages had the end-2026 rate under 6.1%; it still missed the direction. The bias is toward predicting declines that arrive late or not at all, and it is the reason this report weights published calls for lower rates lightly.

Three scenarios to April 2028: below 6.75% needs peace or a recession, above 7.50% needs two 10-year closes above 5.40%

The framework rests on one identity: the mortgage rate is the 10-year plus the secondary spread plus the primary-secondary spread. In the 2026 rise the 10-year did about 85% of the work. No forecaster in the research publishes probabilities for mortgage-rate scenarios, so **the band edges, the paths and the probabilities below are this analysis's own judgment**, tied to cited evidence: the futures strip, the Brent futures curve, the dot plot, the fair-value spread fit and the forecaster record. Levels are on the Freddie Mac survey basis, which ran about 8 to 10 bp below the Mortgage News Daily daily index in October 2026; live rate sheets near 7.5% already sit at the top of the base band. **The probabilities are for where the rate sits in April 2028, not for the path.** The three bands are contiguous and the weights sum to 100%.

The base case is more dovish than the market. Futures price about three more hikes, to an effective rate near 4.7% by the end of 2027, and Brent near \$84 for December 2027. The base case assumes two hikes and oil a little below the futures curve. If the market's own prices turn out right, the rate spends 2027 near the top of the base band, about 7.5%.

The grid converts any 10-year view into a mortgage rate. It is arithmetic, not a forecast.

10-YEAR TREASURY	SPREAD 190 BP (NEAR THE 2026 LOW OF 183)	SPREAD 205 BP (MID-RANGE)	SPREAD 225 BP (TOP OF WORKING RANGE)	SPREAD 250 BP (SHOCK; APRIL 2025 AVERAGED 243)
4.00%	5.90%	6.05%	6.25%	6.50%
4.50%	6.40%	6.55%	6.75%	7.00%
4.75%	6.65%	6.80%	7.00%	7.25%
5.00%	6.90%	7.05%	7.25%	7.50%
5.25%	7.15%	7.30%	7.50%	7.75%
5.50%	7.40%	7.55%	7.75%	8.00%
5.75%	7.65%	7.80%	8.00%	8.25%
6.00%	7.90%	8.05%	8.25%	8.50%
	LOWER CASE	BASE CASE	HIGHER CASE	
30-year fixed in April 2028, Freddie Mac basis	Below 6.75% (best case about 6.15%; recession route about 5.8% to 6.1%)	6.75% to 7.50% (about 7.05% to 7.45% through 2027, about 6.80% by April 2028)	Above 7.50% (worst case about 8.35%)	
10-year Treasury	4.40% to 4.75% (3.8% to 4.0% in a recession)	4.85% to 5.30%	5.50% to 5.90%	
Secondary spread (daily basis)	80 to 95 bp; 120 bp or more in a recession, because volatility rises	98 to 110 bp	125 to 135 bp	
Primary-secondary (daily basis)	105 bp	108 to 114 bp	118 to 120 bp	
Fed	Stops at 4.00% to 4.25%; the strip reprices about 60 bp lower	Two more hikes rather than the three priced, then on hold	Three hikes by March 2027 to 4.75% to 5.00%; the strip prices 5.25%	
Oil	Hormuz reopens durably; Brent December 2027 below \$75	Follows the futures curve: about \$91 in mid-2027, \$84 at the end of 2027	Brent December 2027 above \$95	
Published anchors	HousingWire 6.50% to 6.75% if the conflict ends; JPMorgan Asset Management 4.5% to 4.75% 10-year if tensions ease; Morgan Stanley recession case 3.80%	Goldman 4.75%, Bank of America and Citi 5.0%, JPMorgan 5.05% for end-2026; Morgan Stanley 4.70% for end-2027; NAHB 7.03% average for 2027	Wells Fargo Investment Institute 5.25% to 5.75% for end-2027; Pimco "6% feasible"; HousingWire's 8% path	

	LOWER CASE	BASE CASE	HIGHER CASE
Probability (this analysis's judgment)	About 23% (peace route 15%, recession route 8%)	About 55%	About 22% (7.50% to 8.0%: 10%; worst case: 12%)

■ Sources for the anchors: HousingWire, Sep 19, 2026; JPMorgan Asset Management, Sep 22, 2026; Morgan Stanley via Finvaulta, Sep 24, 2026; SBS citing Bloomberg, Oct 8, 2026; Fed SEP, Sep 16, 2026; NAHB, Oct 2, 2026; Wells Fargo Investment Institute via Yahoo Finance, Sep 30, 2026; Reuters via Yahoo Finance on Pimco, Oct 9, 2026. Futures and spread figures are from the market data section above.

Base case, about 55%: two more hikes, oil follows the curve, the long end stays heavy

The Fed hikes in December and once more in the first half of 2027, which is PNC's and Morgan Stanley's call (to 4.25% to 4.50%), one hike fewer than futures price, then holds through 2027 ■ [PNC, Oct 7, 2026](#); [Morgan Stanley via Finvaulta, Sep 24, 2026](#). Oil follows the futures curve rather than EIA's lower path, so headline inflation falls on base effects in 2027 while core PCE, already running near 2% on a three-month basis, settles at 2.3% to 2.5% by the end of 2027, in line with the Fed median (2.5%) ■ [EIA; Fed SEP, Sep 16, 2026](#). The 10-year holds between 4.95% and 5.30% through 2027 because the term premium does not go away: deficits near \$2 trillion, a first coupon-size increase expected in 2027 and a Fed that buys only bills keep the long end heavy. It eases to about 4.85% by April 2028. Volatility settles near 70 and the curve steepens to about 55 bp, so the secondary spread drifts from 112 bp to about 98 bp.

The path: about 7.2% to 7.45% into year-end 2026, 7.05% to 7.45% through 2027, and about 6.80% by April 2028. NAHB, the one mortgage forecaster with a post-spike vintage, has a 2027 average of 7.03% and a 2028 average of 6.64%; the base case sits a little above it.

Best case, about 15%: peace, a Fed that is done, and volatility that breaks

The chain: the Strait of Hormuz reopens durably in the fourth quarter of 2026 or the first quarter of 2027 and Brent December 2027 futures trade below \$75; three-month core inflation stays near 2%, so the Fed stops at 4.00% to 4.25% and the December 9 projections show no hike in 2027; the futures strip reprices about 60 bp lower; the curve bull-steepens to 80 to 100 bp; the MOVE index falls below 75; and the enterprises keep buying under a raised cap. The 10-year goes to about 4.85% by March 2027 and 4.40% by April 2028. Because this rally is led by falling volatility, the secondary spread tightens to about 80 bp and the primary-secondary to about 105 bp, and the mortgage rate falls faster than the 10-year, as it did in the last three such rallies. That gives about **6.25% on the daily index and 6.15% on the Freddie Mac basis by April 2028**. The earliest tell is the December 9 dot plot. A rate under 7.0% on the daily index is possible by January 2027 and under 6.75% on Freddie Mac by March 2027. The market has shown this is reachable: on July 2, 2026, during the June ceasefire, the rate was 6.43% ■ [FRED MORTGAGE30US](#). HousingWire's Mohtashami still cautions "don't think about rates going under 6.50% anytime soon" ■ [HousingWire, Sep 19, 2026](#).

The recession route, about 8%: the 10-year falls further, spreads do not help

Unemployment moves from 4.2% to 4.5% or higher, claims leave the 200,000 area, and the Fed cuts. Morgan Stanley's oil-led recession case has the 10-year at 3.80% at the end of 2027 ■ [Morgan Stanley via Finvaulta, Sep 24, 2026](#). This rally is led by a shock, so volatility rises and the secondary spread stays near 120 bp or wider. The mortgage rate lands at about 5.9% to 6.2% on the daily index, roughly 5.8% to 6.1% on Freddie Mac: a bigger 10-year move than the best case for a similar mortgage rate. The forecaster record argues against weighting it more heavily: the Freddie Mac rate has printed below 6% in exactly one week since September 8, 2022.

Worst case, about 12%: oil stays high, the Fed keeps going, and supply bites

The chain: renewed Gulf strikes keep Brent December 2027 futures above \$95; core PCE re-accelerates; the Fed hikes in December, January and March to 4.75% to 5.00% and the strip prices 5.25%; Treasury drops its "at least the next several quarters" guidance on November 4 and pulls coupon increases forward; the 10-year JGB goes above 3.5% and foreign holders keep selling; and the fight over Governor Cook escalates. The 10-year goes to about 5.60% by the first quarter of 2027 and 5.90% by mid-2027 and stays there. The curve bear-steepens rather than inverts, so at volatility near 115 and a 30 bp curve the fit puts the secondary spread near 135 bp, about 20 to 25 bp wider than today, and lenders pad the primary-secondary to about 120 bp. That gives about **8.45% on the daily index and 8.35% on the Freddie Mac basis**. The earliest tells are two 10-year closes above 5.40%, which could come on the October 14 CPI or the November 4 refunding. On the Freddie Mac basis, 8% needs roughly a 5.55% 10-year with a 125 bp secondary and 118 bp primary-secondary, and could come as early as December 2026 to the first quarter of 2027. A 9% rate is a tail beyond this case: it needs a 10-year above 6% and an inverted curve or a forced seller of MBS.

Between the base and the worst case sits a moderately higher outcome, 7.50% to 8.0%, with about 10% weight: the Fed delivers all three priced hikes and oil follows the curve, but the term premium does not ease.

For a read on what the room already thinks: at HousingWire's October 1, 2026 summit, mortgage executives asked where rates would be in about six months answered 27% unchanged, 25% just under 8%, 18% above 8% and about 30% lower, near 7% ■ [Forbes Advisor, Oct 9, 2026](#). Roughly 70% expected the same or higher.

The watch list, with the thresholds that change the call

These are the levels and events that would move this analysis between cases. Direction is for mortgage rates.

WHEN	WHAT TO WATCH	LOWER RATES IF	HIGHER RATES IF
Oct 12, 2026	Pulte at MBA Annual	A cap amendment or a dollar purchase pace (secondary 5 to 15 bp tighter)	Rhetoric only does nothing
Oct 14, 2026	September CPI	Core 0.2% or less month over month (10-year toward 5.10%)	Core 0.4% or more (December fully priced, 10-year tests 5.40%)
Daily	10-year Treasury close	A close below 5.05% (lower half of the base band); below 4.75% (lower case)	Two closes above 5.40% (higher case)
Daily	MOVE index	Below 85 (spreads tighten)	Above 110 (spreads widen)
Daily	Brent December 2026 future	Below \$95	Above \$115
Late Oct 2026	September enterprise monthly summaries	Net purchases above \$15 billion a month	Net selling again
Oct 28, 2026	FOMC	A hold with no consecutive-meeting language	A hike, or explicit consecutive language
Oct 29-30, 2026	September PCE, third-quarter GDP, employment cost index	Core PCE 0.2% or less; ECI under 0.9%	ECI above 1.0% for the quarter
Nov 3-4, 2026	Midterms; Treasury quarterly refunding	Coupon guidance held	"Several quarters" guidance dropped (10 to 20 bp of term premium)
Nov 6 and Dec 4, 2026	Jobs reports	Unemployment 4.4% or higher	Unemployment back near 4.0% with firm wages
Dec 9, 2026	Dot plot	2027 median held at 4.1% against a 4.69% strip (strip reprices lower)	2027 median 4.4% or higher
Rolling	Fed funds December 2027 future	Below 4.40% (lower case)	Above 4.90% (higher case)
Rolling	Brent December 2027 future	Below \$80 (lower half of base); below \$75 (best case)	Above \$95 (higher case)
Monthly	Core PCE, three-month annualized	Below 2.3% for three months	Above 3% for three months
Rolling	Term premium (ACM or Kim-Wright)	Below 0.7%	ACM above 1.2% or Kim-Wright above 1.3%
Rolling	Curve and volatility together	2s10s above 80 bp with MOVE below 75 (secondary toward 80 bp)	2s10s back under 20 bp with MOVE above 110
Rolling	Labor	Unemployment 4.5% or higher or claims above 260,000 (recession route: the 10-year falls, spreads lag)	
Feb 2027 onward	Treasury refundings	Coupon sizes held	Coupon-size increases into weak demand
2027	Policy events	Stock purchase agreement cap raised; Fed reinvests runoff in MBS (20 to 30 bp tighter)	Enterprise release without an explicit guarantee (20 to 90 bp wider)

WHEN	WHAT TO WATCH	LOWER RATES IF	HIGHER RATES IF
Rolling	Global long ends		JGB above 3.5% or gilts above 5.75%
Jan 2027 to Jan 2028	Fed composition		Escalation over Governor Cook; Powell's term as governor ends January 2028

Ten drivers, ranked by how much they can move the 30-year from here

The ranking is this analysis's judgment. The test is how many basis points each driver can plausibly move the 30-year fixed over 18 months, and the record of the window sets the order: the three things that moved the 10-year come first, the things that move the spread come next, and policy levers that change pricing for subsets of borrowers come last. Sizes are given only where the research supports one.

1. Oil and the Iran war

Why it matters. It is the origin of everything else in 2026: the inflation rebound, the Fed's turn and a large part of the term premium. In this analysis's reading of the record, each of the main 2026 rate upswings (March, mid-May, July, September) came alongside an escalation in the Strait of Hormuz or a failed diplomatic step, and the pauses alongside de-escalation; several of the day-level links are inferred from oil prices, not news reports. **Current reading.** The strait is contested, not shut. Iran said on October 4 that it stays closed until the US accepts its seven reopening conditions, and the US says it is focused on nuclear talks; no ceasefire talks were reported. Ships still move: 143 transits in the week to October 7, but under near-daily attack, with 12 strikes on shipping from September 28 to October 7, the most in any week of the war, while Gulf crude exports approach pre-war levels through a ship-to-ship shuttle that Lloyd's List calls unsustainable ■ [Al Jazeera, Oct 4, 2026](#); [USNI News, Oct 9, 2026](#). Brent spot was \$125.44 on October 6, 2026, after printing \$135.51 on October 2, within \$3 of the April 7 peak; regional shut-in crude production was an estimated 4.8 million barrels a day in September; regular gasoline was \$4.354 on October 5 against \$2.81 at the end of 2025. EIA's October 6 forecast has Brent averaging \$105 in the fourth quarter of 2026, \$87 in the second quarter of 2027 and \$74 in the fourth quarter of 2027, on the assumption that most regional production returns by mid-2027. Oil eased on October 8 and 9 after President Trump said the US was in "productive discussions" with Iran and would refrain from attacking before the midterms ■ [FRED DCOILBRETEU](#); [EIA global oil outlook, Oct 6, 2026](#); [FRED GASREGW](#); [Trading Economics, Oct 2026](#). **What to watch.** Tanker traffic through the Strait, the monthly EIA outlook (next on November 10), diesel, and whether crude returns to the \$67 to \$82 range that HousingWire's Mohtashami treats as normal ■ [HousingWire, Sep 28, 2026](#). **Effect.** A durable reopening is worth roughly 65 to 90 bp lower on the 30-year from the October 8 level, on the published ranges (a 4.5% to 4.75% 10-year and a 6.50% to 6.75% mortgage rate). Each 2026 escalation added roughly 25 to 55 bp to the 10-year within a month (47

bp from February 27 to March 27; 27 bp from July 6 to July 31; 54 bp in September, which also included the hike); that reading of the record is this analysis's own. The ratchet applies: relief will be slower than the damage was.

2. Core inflation and the Fed's response

Why it matters. The expected policy path explains most of the 2026 rise in the 10-year on the ACM model (86 of 119 bp), and the Fed now has a chair who gives no forward guidance, which makes each meeting a larger event. **Current reading.** Core PCE 3.0% (August 2026); fed funds 3.75% to 4.00%; median dots of 4.1%, 4.1% and 3.9% for the ends of 2026, 2027 and 2028; a longer-run rate that has crept up from 3.0% to 3.2%; several participants calling policy "not restrictive or only mildly restrictive" ■ [BEA](#); [Fed SEP, Sep 16, 2026](#); [FOMC minutes, Sep 2026](#). **What to watch.** September CPI on October 14, especially core services excluding shelter, which rose 0.5% in August; September PCE on October 29; and the December 9 projections, where one or two participants moving up would lift the 2027 median, since eight of 18 dots already sit at 4.375%. The 2027 voter rotation removes the three July dissenters (Hammack, Kashkari, Logan) and brings in Chicago, Richmond, Atlanta and San Francisco ■ [Desjardins, Sep 11, 2026](#); [Federal Reserve FOMC page](#). **Effect.** A hike that is already priced moves nothing: the 10-year rose 1 bp on September 16. The stopping point moves a lot. The gap between a 4.25% to 4.50% peak (Morgan Stanley) and a 4.75% to 5.00% peak (Wells Fargo Investment Institute) is the gap between a 4.70% and a 5.25% to 5.75% 10-year at the end of 2027: 55 to 105 bp on the 30-year, in either direction.

3. Treasury supply, deficits and the term premium

Why it matters. This is the part of the selloff a Fed pause does not undo, and since mid-year it has been the larger part on the ACM measure (41 of 74 bp, 56%) and a little under half on Kim-Wright (38 of 84 bp from June 30 to October 2, 45%) ■ [NY Fed ACM](#); [FRED THREEFYTP10](#). **Current reading.** The fiscal 2026 deficit was \$1,993 billion on CBO's preliminary estimate of October 8, 2026, \$218 billion wider than fiscal 2025, with net interest of \$1,143 billion. Treasury has left nominal coupon sizes unchanged at six straight refundings and financed the difference with bills (22.4% of marketable debt on September 30, 2026). Dealers put the fiscal 2027 to 2028 funding gap at current sizes at \$1.45 trillion and expect coupon increases "sometime in 2027." Treasury has leaned the other way for now, raising long-end buybacks to at least \$4 billion per operation through November 4. Foreign holdings fell to \$9.25 trillion in July 2026, a nine-month low, with Japan down \$135 billion since February ■ [CBO Monthly Budget Review, Sep 2026](#); [Treasury debt statement](#); [TBAC minutes, Aug 4, 2026](#); [Treasury, Aug 19, 2026](#); [Treasury TIC data](#). **What to watch.** The November 4, 2026 refunding, one day after the election: whether the "at least the next several quarters" guidance survives and whether the buybacks are renewed. Then long-end and 5-year auction statistics, the monthly foreign holdings data, a rating outlook change and the 2027 debt limit. **Effect.** The ACM term premium rose 41 bp between June 30 and October 8, 2026 and 33 bp since February; that is the amount in play, in both directions. This analysis's judgment is plus or minus 20 to 40 bp on the 30-year from this channel. The August buyback announcement took about 6 bp off the 10-year and most of it reversed within days, so Treasury can slow moves but not set the level ■ [NY Fed ACM](#); [Reuters via Yahoo Finance, Aug](#)

19, 2026; [Fox Business, Aug 24, 2026](#). The feedback loop is live: CBO estimates that rates 150 bp above its baseline (which dates from February 2026 and is stale) add \$6.0 trillion to deficits through 2036 ■ [CBO, Oct 8, 2026](#).

4. The labor market

Why it matters. It is the main route to the lower case and the only route to a rate under 6%. **Current reading.** Payrolls rose 29,000 in September 2026 and the three-month average is about 51,000, but unemployment is 4.2%, initial claims were 197,000 in the week ending October 3, and the Sahm indicator is 0.00. With immigration sharply lower, breakeven job growth is somewhere between zero and about 90,000 a month, so weak payroll prints are not by themselves evidence of deterioration ■ [BLS, Oct 2, 2026](#); [FRED ICSA](#); [FRED SAHMRREALTIME](#); [St. Louis Fed, Mar 2026](#). **What to watch.** The unemployment rate and claims, not the payroll headline; the jobs reports of November 6 and December 4; the benchmark revision on February 5, 2027; and the consumer, where Michigan sentiment was 48.1 in September 2026 and the saving rate 4.1% in August ■ [UMich Surveys of Consumers](#); [BEA](#). **Effect.** In August and September 2025 a run of weak labor data took the mortgage rate from 6.72% (July 31) to 6.26% (September 18), 46 bp in seven weeks. A real break now, with a hiking Fed forced to reverse, is worth 100 bp or more on the published recession case (a 3.80% 10-year).

5. Rate volatility and the MBS basis

Why it matters. It sets the secondary half of the spread, the only half that moves. **Current reading.** Spread 213 to 218 bp (October 8, 2026); MOVE 98.5 (October 9 close); current-coupon spread about 120 bp to Treasuries in the first week of October as reported from Bank of America, which is "basis-neutral" and would turn more positive at 125 to 130 bp; 2s10s at 45 bp on October 9 and a secondary spread of 112 bp on the daily par-coupon measure, at fair value for current volatility ■ [ZeroHedge citing BofA, Oct 7, 2026](#); [FRED DGS2](#). **What to watch.** MOVE below 75 or above 110, the shape of the curve, bond fund flows after September's loss, and whether mortgage REITs can still raise equity. **Effect.** The 190 to 225 bp working range means about 25 to 30 bp of possible tightening (from 213 to 218 bp down to the 183 to 190 bp floor zone) and about 10 bp of widening from here in normal conditions, with the spring 2025 shock level of about 243 to 253 bp (the April 2025 average and the May 1, 2025 weekly peak) as the upper bound for a shock that is not a crisis. The asymmetry is the point: about 25 to 30 bp of relief is available, against roughly 70 to 100 bp of damage on this report's series if spreads revisit 2023 levels (a 285 bp average and a 310 bp peak, against 213 bp now). HousingWire's larger figure, a rate of 8.64% at the worst 2023 spreads, is on its own daily-rate basis ■ [FRED MORTGAGE30US](#); [FRED DGS10](#); [HousingWire, Oct 3, 2026](#).

6. Fannie Mae and Freddie Mac buying, and the \$225 billion cap

Why it matters. It is the most direct lever the administration has on mortgage rates that does not run through the Fed, and Treasury Secretary Bessent has called the MBS spread the "North Star" of housing policy ■ [National Mortgage News, Feb 6, 2026](#). **Current reading.** Net purchases of \$39.0 billion through August 2026 against a \$200 billion headline; about \$115 billion of room under the unamended \$225 billion per company cap; duration gaps of 15 to 18 months at both companies. **What to watch.** The

September monthly summaries (late October), the third-quarter 10-Qs (about October 29 to 30), FHFA Director Pulte at the MBA convention on October 12, and above all any Treasury and FHFA letter agreement raising the cap. **Effect.** The January 2026 announcement was worth about 25 bp on spreads and 15 to 20 bp on primary rates and then faded. The Community Home Lenders of America estimates 10 to 12 bp from fuller Freddie Mac participation ■ [National Mortgage News, Sep 24, 2026](#). The program caps how wide spreads get; it does not lower the floor, because the companies sell when spreads tighten.

7. The Fed's balance sheet

Why it matters. The Fed is the largest holder of agency MBS and is shrinking that book every month. **Current reading.** \$1,898 billion on October 7, 2026, falling about \$15 to \$17 billion a month into bills; at that pace roughly \$1.62 trillion by April 2028 (the research team's arithmetic). Bill purchases for reserve management have been zero since August 14, 2026. A balance sheet task force (Dyran, Rajan, Stein) is reviewing the reserves regime and "the composition of the Fed's balance sheet" with no published deadline ■ [Fed H.4.1; NY Fed operational details; Fed task force page](#). **What to watch.** The task force report and any change in reinvestment policy. No Fed official has proposed outright MBS sales, and Bank of America and Wells Fargo both called them a low-probability outcome in June 2026 ■ [HousingWire, Jun 2026](#). **Effect.** Pimco estimated in September 2025 that reinvesting the runoff back into MBS would compress spreads 20 to 30 bp ■ [Pimco, Sep 16, 2025](#). The reverse, a sales program, would plausibly be worth tens of basis points wider; that is the research team's extrapolation, not a published estimate.

8. Global yields and foreign demand

Why it matters. There is no low-yield anchor market pulling Treasuries down any more. **Current reading.** The 10-year JGB was 3.02% on October 9, 2026 after touching 3% on September 1 for the first time since 1996; the Bank of Japan raised its policy rate to 1.25% on September 18; the 10-year gilt hit 5.51% on October 8, the highest since 2007; the bund is near 3.5%, all as reported by Euronews and Trading Economics ■ [Euronews, Sep 1, 2026](#); [Trading Economics, Japan](#); [Trading Economics, UK](#). **What to watch.** The mid-October foreign holdings release covering August, the UK fiscal statement on October 28 and the Bank of Japan on October 30. **Effect.** Direction is up through the term premium. The research has no basis-point estimate.

9. Housing-finance pricing policy

Why it matters. These are the levers that change what a specific borrower pays, and pressure to use them rises with rates above 7% in an election season. **Current reading.** Guarantee fees are unchanged. FHFA's review of "certain LLPAs" has been "coming soon" since August 20, 2026. The one implemented change is the single pricing grid for Classic FICO and VantageScore 4.0, effective October 1, 2026: a borrower with a 700 FICO and a 720 VantageScore pays 1.25 points instead of 1.5 ■ [National Mortgage News, Aug 21, 2026](#); [HousingWire, Sep 29, 2026](#). The FHA annual premium has been 0.55% since March 2023. The bank capital re-proposal of March 19, 2026, with lower mortgage risk weights and a flat 250% weight on servicing assets, is not final ■ [Urban Institute chartbook, Sep 2026](#); [Pennymac Policy Pulse, Jun 2026](#). **What to watch.** An LLPA release, an FHA premium cut, the final capital rule, and whether MBS investors

penalize VantageScore pools. **Effect.** Small and targeted on the downside: KBW judged a roughly 10 bp LLPA cut to have a modest borrower effect. Larger on the upside if the companies are released from conservatorship: Moody's Mark Zandi puts that at 20 to 40 bp higher with an implicit guarantee and 60 to 90 bp without. KBW cut its odds of privatization to 30% on September 28, 2026 ■ [National Mortgage News, Oct 27, 2025](#); [Yahoo Finance, Mar 31, 2025](#); [National Mortgage News, Sep 28, 2026](#).

10. Politics and institutions

Why it matters. These events set the timing of volatility and the composition of the Fed. **Current reading.** The midterms are November 3, 2026, with a Democratic House and Republican Senate as the forecasters' base case as of October 1. Government funding runs out December 11. On October 9 the White House formed a committee to investigate Governor Lisa Cook, its latest step in a long-running effort to remove her ■ [Bloomberg, Oct 9, 2026](#); [CNBC, Oct 9, 2026](#); [NBC News, Oct 9, 2026](#); three seats (Cook, Powell, Barr) stand between the White House and a Board majority, and Powell's term as governor runs to January 2028. Tariffs have migrated to Section 301 at 10% to 12.5% on about 60 economies since July 24, 2026 ■ [BBH, Oct 1, 2026](#); [CREFC](#); [CNN headline, Oct 9, 2026](#); [Brookings, Sep 8, 2026](#); [Steptoe](#). **What to watch.** The lame-duck funding fight, the Cook matter, the status of the US and China trade truce that began October 30, 2025, and 2027 debt-limit talks. **Effect.** Episodic. The cleanest independence signal in the window, the attempted removal of Cook on August 25, 2025, steepened the 2s30s curve 13 bp in a day and faded, and the 10-year breakeven stayed inside a 2.17% to 2.50% range for the whole window ■ [FRED DGS2](#); [FRED DGS30](#); [FRED T10YIE](#). A December shutdown would blind the Fed while it is hiking. The direction of the institutional risk is a higher term premium, which works against the administration's own goal.

RANK	DRIVER	DIRECTION OF RISK FROM HERE	ROUGH SIZE ON THE 30-YEAR	BASIS
1	Oil and the Iran war	Both; relief slower than damage	65 to 90 bp lower on durable peace; 25 to 55 bp higher per escalation	Published ranges; this analysis's reading of 2026
2	Core inflation and the Fed	Skews down: about three hikes are already priced	25 to 50 bp lower if the Fed stops at its dots; 15 to 30 bp higher only beyond the strip	Fed funds futures vs the dot plot
3	Treasury supply and term premium	Up	Plus or minus 20 to 40 bp	This analysis's judgment, scaled to ACM
4	Labor market	Down, if it breaks	100 bp or more in a recession; little otherwise	Morgan Stanley recession case
5	Volatility and the MBS basis	Down if volatility falls	About 40 bp tighter at low volatility and a steep curve; 20 to 30 bp wider in a bear-steepening sell-off	Fair-value fit on daily data since 2009
6	Enterprise buying and the cap	Down	10 to 20 bp	CHLA; BofA on January 2026
7	Fed balance sheet	Up if policy changes	20 to 30 bp tighter if runoff were reinvested in MBS; tens of bp wider on sales	Pimco; research team's extrapolation

RANK	DRIVER	DIRECTION OF RISK FROM HERE	ROUGH SIZE ON THE 30-YEAR	BASIS
8	Global yields and foreign demand	Up	Not quantified; JGBs above 3.5% or gilts above 5.75% are the tells	Global 10-year closes
9	Pricing policy and conservatorship	Small down; up on release	Fractions of a point of price; 20 to 40 bp higher on release	KBW; Zandi
10	Politics and institutions	Up, episodic	Not quantified	Event record

The dated calendar, October 2026 to April 2028

Dates are from the sources cited unless marked "by pattern," which means the event recurs on a known schedule but the specific date was not in the research.

DATE	EVENT	WHAT IT DECIDES FOR RATES	SOURCE
Oct 12, 2026	Bond market closed; FHFA Director Pulte speaks at MBA Annual	Any signal on LLPAs, the purchase pace or the cap	MBA NewsLink ; MND
Oct 14, 2026	September CPI	The one print that can reprice the October meeting; nowcast 3.60% headline	BLS schedule ; Cleveland Fed
Oct 15, 2026	PPI; September retail sales; next Freddie Mac print	First weekly print after the Mortgage News Daily index fell	StockTitan
Mid to late Oct 2026	Foreign holdings data for August; Fannie Mae and MBA October forecasts; September enterprise monthly summaries	First forecast vintages after the spike; first test of "buying even more"	Treasury TIC ; Fannie Mae forecast page
Oct 27-28, 2026	FOMC (decision Oct 28)	Hold expected; about 17% to 21% hike odds	Fed calendar
Oct 28 and 30, 2026	UK fiscal statement; Bank of Japan meeting	Global long-end pressure	Trading Economics , UK ; Forbes , Oct 7, 2026
Oct 29, 2026	Third-quarter GDP (advance); September PCE	Core PCE after the revision; Cleveland Fed nowcast 3.02%	BEA schedule ; Cleveland Fed
Oct 30, 2026	Third-quarter employment cost index	Above 1.0% for the quarter keeps the Fed hiking	BLS schedule
About Oct 29-30, 2026	Fannie Mae and Freddie Mac third-quarter 10-Qs	Purchases, cap room, rate risk	Glen Bradford blog (secondary estimate)
About Oct 30, 2026	One-year mark of the US and China trade truce (status not researched)	Tariff path	Great Lakes Customs Law timeline

DATE	EVENT	WHAT IT DECIDES FOR RATES	SOURCE
Nov 3, 2026	Midterm elections	Oversight, nominations, the lame-duck funding fight	BBH
Nov 4, 2026	Treasury quarterly refunding; current buyback sizing expires	Coupon-size guidance for 2027; buyback renewal	Treasury refunding statement, Aug 5, 2026; Treasury, Aug 19, 2026
Nov 6, 2026	October jobs report	Unemployment rate after 4.2%	BLS schedule
Nov 10, 2026	October CPI; EIA outlook	No October 2025 CPI exists, so the year-over-year base is missing	BLS schedule ; EIA
Nov 10-12, 2026 (by pattern)	Refunding auctions: 3-, 10- and 30-year	Tails of more than 2 bp signal weak demand at the long end	Treasury auction data
Nov 18, 2026	FOMC minutes (October meeting)	How many want consecutive hikes	Fed calendar
Nov 25, 2026	Third-quarter GDP (second); October PCE		BEA schedule
Late Nov 2026	FHFA announces 2027 conforming loan limits	Lenders have pre-set \$845,000 to \$850,000 against a 2026 baseline of \$832,750	Scotsman Guide, Oct 8, 2026; FHFA
Nov 28, 2026	VA partial claim servicer compliance deadline	Servicing operations	The Close
Dec 4, 2026	November jobs report	Last jobs report before the December decision	BLS schedule
Dec 8-9, 2026	FOMC with projections	The next hike (about 70% to 85% priced); 2027 dots; possibly the last projections in this format	Fed calendar
Dec 10, 2026	November CPI		BLS schedule
Dec 11, 2026	Continuing resolution expires	Shutdown risk; a lapse would delay the December jobs report (Jan 8) and later data	CREFC
Early to mid Dec 2026 (by pattern)	HUD announces 2027 FHA loan limits		NAMP on the 2026 limits
Dec 23, 2026	Third-quarter GDP (third); November PCE		BEA schedule
Jan 1, 2027	2027 loan limits effective; FHA begins accepting VantageScore 4.0 and FICO 10T; FOMC voter rotation	Three 2026 hawkish dissenters rotate off	Scotsman Guide, Sep 14, 2026; Fed FOMC page

DATE	EVENT	WHAT IT DECIDES FOR RATES	SOURCE
Jan 7, 2027	ROAD to Housing Act limit on large institutional investor purchases takes effect	Who buys, not what mortgages cost	BPC tracker
Jan 8 and Jan 13, 2027	December jobs; December CPI		BLS schedule
Jan 26-27, 2027	FOMC		Fed calendar
Early Feb 2027 (by pattern)	Treasury quarterly refunding	Earliest plausible start of coupon-size increases	TBAC minutes, Aug 4, 2026
Feb 5, 2027	January jobs with final benchmark revision	Preliminary benchmark is minus 79,000	First Trust, Sep 10, 2026
Mar 16-17, 2027	FOMC with projections	PNC expects a second hike here	Fed calendar ; PNC
Apr 7, 2027	CFPB reports on small-loan compensation and points-and-fees caps	Origination cost rules	BPC tracker
Apr 27-28; Jun 8-9 (projections); Jul 27-28; Sep 14-15 (projections); Oct 26-27; Dec 7-8, 2027 (projections)	FOMC meetings	On the median dot, all holds	Fed calendar
Early May, Aug and Nov 2027 (by pattern)	Treasury quarterly refundings	Coupon sizes	TBAC minutes, Aug 4, 2026
Mid-2027	EIA assumes most Gulf production has returned by the end of the second quarter	The oil leg of the base case	EIA
2027, undated	Debt-limit negotiations; final bank capital rule; LLPA decision; any stock purchase agreement amendment; any enterprise share sale	The undated items are the ones that could move pricing	Schwab, Aug 18, 2026 ; PwC
Late Nov 2027 (by pattern)	FHFA announces 2028 conforming loan limits		FHFA
Jan 1, 2028	Section 1071 compliance date		KPMG
Jan 25-26, 2028	FOMC (the only 2028 date published); Powell's term as governor ends in January 2028	Board composition	Fed calendar ; Brookings
Mar and Apr 2028 (by pattern)	FOMC meetings; dates not yet published	On the median dot, the single 2028 cut falls somewhere in the year	Fed calendar

Seven figures the research files disagreed on, and which this report uses

ITEM	THE CONFLICTING FIGURES	WHAT THE UNDERLYING SOURCES SHOW	FIGURE USED HERE
Brent crude peak	\$118.35 on Mar 31, 2026 (one file, from a Wikipedia entry) vs \$138.21 on Apr 7, 2026 (two files)	The \$138.21 figure is the FRED spot series (dated Brent, physical cargoes). FRED shows \$126.69 for March 31, so the \$118.35 figure is a different benchmark for the same day, most likely front-month futures; the file does not say. The gap widens later: press quotes of about \$101 to \$105 in late September and early October against FRED spot of about \$114 to \$136, including \$135.51 on October 2	\$138.21 on April 7, 2026, labeled as spot. FRED is used for the whole oil series because it is the only complete one in the research. Futures quoted in the press ran about \$8 below spot on March 31 and roughly \$20 to \$30 below spot in early October
Mortgage spread on Oct 8, 2026	2.18 points vs 213 to 218 bp	Both are correct. 218 bp uses the same-day 10-year close (5.22%); 213 bp uses the average 10-year close over the Friday-to-Thursday week ending on the print date (5.27%); Freddie Mac's Thursday-to-Wednesday survey window gives 212 bp	213 bp for comparisons with history, because the Freddie Mac rate is itself a weekly average and the long-run benchmarks were computed that way; 218 bp is shown beside it
Odds of an October 2026 hike	17% vs 20% to 25%	Different sources and timestamps after the October 2 jobs report: 20.5% (Fox Business, Oct 2), 22.1% (investing.com, Oct 3), 26% (Admiral Markets, Oct 7), 17% (CME FedWatch via Scotsman Guide, Oct 7 and Oct 8), about 21% (StoneX, Oct 8)	About 17% to 21% as of October 8, described as roughly one in five. The December range (69% to 85%) reflects the same issue plus a definitional one: a hike at the December meeting vs at least one hike by then
Stock purchase agreement cap on retained portfolios	\$225 billion vs one \$250 billion reference	Both companies' second-quarter 2026 10-Qs state \$225 billion. The \$250 billion figure was the cap before December 31, 2022 and appears in one January 2026 article	\$225 billion per company
Remaining purchase room	\$113 billion vs \$115 billion	\$112.7 billion is the cap-basis room at June 30, 2026, as compiled from company filings by a secondary source (the Glen Bradford blog); about \$115 billion is the room at August 31, 2026 (\$225 billion less \$175.2 billion, plus \$225 billion less \$159.5 billion)	About \$115 billion at end-August 2026, the later date
Net enterprise MBS purchases	\$45 billion in the first half vs \$39 billion through August	Both reconcile to the monthly summaries: up \$50.5 billion through April, \$44.6 billion through June, \$39.0 billion through August as holdings ran off	\$39.0 billion through August 31, 2026, the latest; the peak-to-date was \$50.5 billion at end-April
Date of the 10-year closing low	Oct 22, 2025 and/or Feb 27, 2026	FRED shows a 3.97% close on both dates	Both. 3.97% is a tie; February 27, 2026 is the one that matters for the 2026 story because it is the last close before the war

■ Sources: [FRED DCOILBRENTU](#); [Wikipedia, 2026 Iran war fuel crisis](#); [FRED DGS10](#); [Fox Business, Oct 2, 2026](#); [investing.com](#); [Admiral Markets](#); [Scotsman Guide, Oct 8, 2026](#); [StoneX, Oct 8, 2026](#); [Fannie Mae 10-Q](#); [Freddie Mac 10-Q](#); [Santander US Capital Markets, Oct 2, 2026](#); [Calculated Risk, Lawler, Sep 28, 2026](#); [Glen Bradford blog, Aug 2026](#).

Smaller discrepancies were handled the same way. The July 2025 payroll revision is 258,000 in the BLS vintage data and 253,000 in one press report; this report uses 258,000. August 2026 core PCE is 3.0% as published by BEA after its annual update, against 3.2% cited by Chair Warsh on September 16 and 3.4% estimated by Fed staff before the revision; this report uses 3.0% and says so. The share of the 2026 yield rise that is term premium is about 28% on the ACM model and about half on Kim-Wright; both are shown with the model named. Press reports date the 10-year's October 2026 levels as the highest since 2002 or since 2007 depending on the day referenced; the research did not check either against the full history. Urban Institute's net issuance figure and dealers' net supply figure use different definitions and are presented separately.

What this research does not have

The limits are material and a presenter should state them. The research has **no current-vintage mortgage rate forecast** from Goldman Sachs, Morgan Stanley, Bank of America, Moody's, Capital Economics, Oxford Economics or Blue Chip; the bank figures in this report are 10-year Treasury forecasts taken from secondary summaries of paywalled notes. The fed funds and SOFR futures strips and the Brent and WTI futures curves were added in this revision from TradingView closes on October 9; they are market prices on one day, not forecasts. It has **no October 2026 vintage from MBA or Fannie Mae**: Fannie Mae's archive shows September as the latest outlook on October 10, and MBA's mid-September forecast, the most recent, says only that rates stay near current levels with two more Fed hikes, with no quarterly rate path in the coverage ■ [Fannie Mae forecast archive](#); [HousingWire, Sep 22, 2026](#). The October 9 Cook committee and the state of the strait were confirmed in this revision against multiple outlets. The daily spread decomposition is this analysis's arithmetic on licensed MBS Live closes: the par coupon is interpolated from the TBA price stack and is censored below the 2.0 coupon in 2020 and 2021, so the QE4 averages understate how tight spreads were. It is not an option-adjusted spread and has no dealer model behind it. The fair-value fit uses realized, not implied, volatility; the MOVE index is available weekly only for part of the window. Several catalysts for individual days are inferred from same-day oil and equity prices and not from news reports. Several categories of figures rest on secondary or unfetchable sources and were not independently confirmed: bank and poll forecasts for the 10-year, the University of Michigan September readings and the Cleveland Fed nowcasts. All 2026 forecast misses are provisional until the year closes. Every probability, band and effect size labeled as judgment is this analysis's own and must not be quoted as sourced fact. The probabilities are for where the Freddie Mac rate sits in April 2028, not for the path: a path can touch 8% and still end at 6.5%.

Conclusion

The planning number for 2027 is the forward curve, not the September forecasts. A lender that budgets on 6.7% for 2027 is budgeting on the scenario this analysis weights at about one in four. One point needs saying plainly: this analysis's base case is more dovish than the market. Futures price about three more hikes and Brent near \$84 at the end of 2027; the base case assumes two hikes and oil a little below the curve. If the market is right, 2027 is spent near 7.5%. The honest base is a 30-year in the low-to-mid 7s for most of the next year, and the published medium-term anchors for 2028 (NAHB's 6.64% and MBA's stale 6.7%) are where the market ends up if things go moderately well. This analysis's steady-state arithmetic puts the eventual resting place lower, but not soon: a 3.2% neutral funds rate, a 0.5 to 1.1 point term premium and a 1.8 to 2.1 point spread give a non-recession rate of roughly 5.5% to 6.4%. That is a destination for 2028 or later, and only if oil and the term premium both cooperate. A rate under 5% requires a recession or a return to Fed bond buying.

Relief will arrive in a fixed order: oil first, the Fed second, the spread last and smallest. Everything the administration can do without the Fed (enterprise purchases, a cap increase, LLPA or premium cuts, capital relief) works on a spread that is at fair value for today's volatility and about 40 bp above its floor, against a Treasury move of 130 bp since February. None of it offsets a 5% 10-year. That makes the November 4 refunding and the December 9 dot plot as important to this audience as any inflation print, and it makes two levels on the 10-year worth writing on the wall: below 4.75% the lower case comes into play, and two closes above 5.40% put the higher case in play. On the Freddie Mac basis, 8% needs roughly a 5.75% 10-year at 225 bp or a 5.50% 10-year at 250 bp; the 5.40% trigger for 8% is HousingWire's, on its higher daily-index basis. For secondary desks the position is asymmetric in time. The book built for extension at 7.4% is the book most exposed when the rally comes, because a rally led by falling volatility has passed through at 1.2 to 1.7 times the 10-year move, and the 7%-plus loans closed this quarter will be the fastest-prepaying cohort in the market and the servicing values that look rich today will reverse with them.

Market commentary for mortgage professionals, as of October 9, 2026. Not a rate quote, a commitment to lend, or investment advice. Forward-looking statements are judgment and are labeled as such in the text.