

WHITHER RATES ???

By Patrick Niland

Where are interest rates headed now?

If you asked 100 experts that question, 33 would say “up,” 33 would say “down,” 33 would say “about the same,” and one smart-aleck would deny being an expert.

If you flipped a coin 100 times, heads (rates going up) would appear about 50 times and tails (rates going down) would appear about 50 times.

If you spun a bottle...well, you get the idea.

So, if the level of interest rates makes a big difference in a major financial decision that you’re about to make (e.g., refinancing your building’s underlying mortgage loan), what do you do?

Unfortunately, you guess...because nobody really knows for sure.

However, some guesses are better than others. They’re called “educated” guesses.

To make an educated guess, it often helps to look at what the market is saying. Many analysts think that the 39-week moving average (39WMA) is a fairly reliable indicator of future trends in the rate for 10-year U.S. Treasury notes. When the weekly average (WA) falls below the 39WMA, rates tend to keep falling. Conversely, when the WA moves above the 39WMA, rates tend to keep rising. Even in times of high rate volatility, the 39WMA still gives a pretty good picture of the medium-term trend.

Remember, though, it’s still a guess.