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'Too early to tell' whether swap rates are on way down



(Mikael Blomkvist/Pexels)

By **Tom Dunstan**

It is "too early to tell" whether swap rates are on the way down Large Mortgage Loans founder and CEO, Paul Welch has stated.

Following news that both two and five year swap rates have edged down, brokers have given their thoughts on what's causing this and if it will translate into lower rates.

Welch said: "It's too early to call whether swap rates are coming down. The real test will be when core inflation figures are published next week."

This sentiment was shared by R3 Mortgages founder and director, Riz Malik, who warned that he would prefer to witness a consistent decline in swaps before “we begin opening the champagne and celebrating prematurely”.

Switch Mortgage Finance director, Elliott Culley, added: “The swap rates are very volatile right now, and any positive or negative new data that is produced can cause a big impact on how the swap rates perform.

Explaining the edging down, Altura Mortgage Finance managing director, Rob Gill, said: “There has been a distinct whiff of panic around the surge in swap rates recently.

“Panic puts a premium on prices, it can’t last forever though, so it always seemed likely prices would start to come off sooner or later.”

Shaw Financial Services founder and mortgage expert, Lewis Shaw, attributed to slight drop in swap rates to the easing of US inflation data and said that he hopes for good news on July 19.

But Yellow Brick Mortgages managing director Stephen Perkins, believed that the fall was more about the markets trying to influence the Bank of England’s thinking rather than reflecting the direction of travel.

Sunny Avenue founder, Stuart Crispe, expressed his own opinion, suggesting that falling rates were related to the contraction of GDP in May.

Looking to the future, Belvide Finance managing director and adviser, Philip Dubberly, said: “If this trend continues and we see further fall, we will see how quickly lenders withdraw products and give customers the benefit of these rate drops.

“A lot of the rate withdrawals are not down to swap rates but maintaining service levels and the swap rates are being driven up by negative press in my opinion.”

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What's your view?