

The 10-Year Is Fighting a 2007 Ghost (and Your Buyers Are Paying for It)

Rates are rising on bad economic news, which isn't supposed to happen. Here's what's driving it and what to do with your listings and buyers this week.

7.38%

30-yr conforming (Optimal Blue, Oct 2), up from about 6.47% in early July

5.29%

The 10-year line in the sand, the June 2007 high

43%

Solano listings with a price cut this week

-\$46K

Buying power lost since July on the same monthly payment*

Why bad news isn't bringing rates down

Last week handed us a weaker jobs report, a cooler PCE inflation print, and Fed members sounding dovish. Normally that's a recipe for lower rates. Bonds rallied for a few hours and then gave it all back, and the 10-year poked above 5.29% before closing just under it.

One theory making the rounds is Japan. They're the largest foreign holder of U.S. debt, their currency is weak, and selling Treasuries to defend the yen would push our yields up no matter what our own data says. Treat that as a theory for now. The Treasury data that would confirm it lags about 45 days, so we'll see August numbers in mid-October and September in mid-November.

The part I'd focus on is the spread, the gap between the 30-year mortgage rate and the 10-year. It's historically run around 1.60% to 1.80%. MBS Highway has it at 2.30% and widening as bond volatility (the MOVE index hit 113) climbs. HousingWire's math puts it at 2.04% and calls that near normal, which I don't buy when their own historical range tops out at 1.80%. Either way, the spread is wide, and it's the reason rates can stay high even if the 10-year calms down.

Solano County, this week

Median list price	\$580,000
Market Action Index	41 (was 42)
Inventory	811 homes
Price decreased	43%
Avg / median days on market	89 / 56
Price per sq ft	\$335
Median rent	\$3,090

The gauge still reads "slight seller's advantage," and I'd stop leading with that label. When nearly half of listings are cutting price and the average home sits 89 days, buyers have negotiating room, and the sellers who price to today sell while the ones pricing to spring chase the market down.

The national picture

Pending sales vs last year	-10%
Purchase apps vs last year	-14%
Inventory vs last year	+4.4%
New listings vs last year	Flat
Price-cut share	42.8% (41.6% in 2025)

Demand is taking the hit first. Pending sales and purchase apps are both down double digits from a year ago, while new listings are holding steady. The risk to watch is sellers who simply decide not to list, because that would freeze inventory right as buyers get pickier.

What I'd do with clients this week

- Re-run every pre-approval from the summer.** A buyer approved in July at the same payment can borrow roughly \$46,000 less today. Find that out now, before they fall in love with a house.
- Put seller credits ahead of price cuts.** On a listing that needs to move, a credit toward a rate buydown usually does more for the buyer's payment than the same dollars off the price. Send me the listing and I'll run both side by side.
- Price listings to October.** The 43% cutting price are the ones that listed for a market that's gone. The first price is the one that gets the showings.

What I'm watching

Tuesday	ADP weekly jobs, Fed speakers
Wednesday	Mortgage apps, 10-year Treasury auction, Fed minutes
Thursday	Jobless claims, 30-year Treasury auction

The auctions matter more than usual this week, since weak demand for Treasuries is the clearest sign the foreign-selling theory has legs. On the 10-year, 5.29% is the level to watch. If it breaks, the next stops are 5.43% (2002) and 5.52% (2001). You'll hear 9% mortgage rates on CNBC, and that would take the 10-year near 6.80% plus a wide spread, which nobody I trust has as a base case. If a client is weighing whether to lock or float, have them call me directly, because that's a one-on-one conversation built around their timeline.

Jason Russell | NEO Home Loans

707.208.5544 | jason@jasonrussell.com | jasonrussell.com

*Illustration only: \$522,000 loan (10% down on the \$580,000 Solano median), 30-year fixed, principal and interest only. \$3,289/mo at 6.47% buys about \$476,000 at 7.379%. Not a commitment to lend or a rate quote. Sources: Optimal Blue OBMMI (10/2/26), MBS Highway (10/5/26), Altos Research Solano County (10/5/26), HousingWire (10/3/26).