

# MARKET SUMMARY

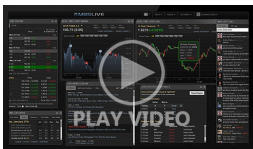
Complete Recap of Today's Market Activity

## Bonds All Bid Up And Nowhere To Go

Market Summary: Monday, May 4, 2020 - 4:14PM

The second half of April had a handful of negative indicators for bonds. These included declines in Fed buying, declines in coronavirus numbers, gravity-defying stocks, and a hefty dose of supply pressure. Despite all that, MBS prices and Treasury yields continue to operate in narrow ranges just shy of record levels.

### Latest Video Analysis



Sideways Momentum Staying Strong Despite Supply Outlook



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### MBS & Treasury Markets

<b>UMBS 6.0</b> 112.41 <b>-0.20</b>	<b>10YR</b> 0.630% <b>+0.012%</b>	5/4/2020 7:30PM EST
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## Negative Reprice Risk Increasing Modestly For Some Lenders

This is more of a heads-up regarding MBS being at the lowest prices of the day than an out-and-out reprice alert. 2.5 coupons are down an eighth of a point and 2.0s are down closer to a quarter point. That said, only 2.0s have lost enough ground from morning rate sheet print times to be in reprice risk territory.

As such, only the most aggressively-priced and jumpiest lenders would be considering reprices. If you want to play the momentum game and treat this as confirmation of last week's warning regarding ceiling/resistance in MBS prices, that would be the conservative approach. Otherwise, we haven't seen quite enough weakness to force many hands just yet.

10yr yields are in the middle of their range for the day, up 1.4bps at .632. They've more or less successfully defended their .65% pivot point.

**MBS MORNING:** Behold The Fed's Giant Tranquilizer Gatling Gun

**ALERT:** Treasuries Surge Higher in Yield at CME Open; Corporate Supply Not Helping

## Today's Mortgage Rates

30YR Fixed 3.22% +0.03%

15YR Fixed 3.05% +0.04%

5/4/2020

### Lowest Mortgage Rates in More Than a Month, For Some Anyway

**moved down again today**, bringing the average lender to their best levels since the 2nd week of March. Some lenders are quoting their lowest rates ever, but early March 2020 averages are still decidedly lower.

You may have seen other articles today claiming "all-time lows." Some of those articles may even be quoting me (although they don't quote me in support of the "all-time low" headline). Who's right? In terms of the average rate on any given day, we're **absolutely not** yet back to early March levels. That's a fact. Other sources are in apparent disagreement if they're relying on Freddie Mac's weekly survey-based rate index, which is indeed at an all-time low this week.

When it comes to Freddie's survey, keep in mind that it **doesn't** account for any movement on Thursdays and Fridays, by its own admission. And in my experience, it really doesn't capture much of the movement seen on Wednesdays either. That means March 4th-6th weren't counted and those were 3 of the best days in history. By the following Tuesday, rates were already rising quickly. Point being, Freddie's methodology missed out on truly capturing the all-time lows in early March. **In Freddie's defense**, they missed out on this week's best rates too, since today is definitely better than yesterday (the last possible day that could have made it into the survey).

**What's the point here?** Simply put, Freddie's survey does a fine job at capturing the broad movement in mortgage rates, but it doesn't capture all the volatility, nor does it do a good job of pinpointing long-term lows. The average lender still needs another day or two of solid improvement before getting back to early March levels. Even then, this only applies to the most ideal conventional 30yr fixed scenarios. Costs have increased for additional risk factors. In other words, you might have a hard time finding a lender for a cash-out loan right now. If you do, you might find the cost adjustment is bigger than it normally is.

#### Loan Originator Perspective

Pricing continued to improve marginally today. Clients with some risk tolerance may want to wait until they're within 15-30 days of closing to lock. As always, if you're happy with your pricing, pull the lock trigger and don't look back. -**Ted Rood, Senior Loan Originator, Bayshore Mortgage**

My advice to clients is remaining unchanged. Lock at the first opportunity! -**Victor Burek, Churchill Mortgage**

Time	Event	Actual	Forecast	Prior
<b>Monday, May 04</b>				
9:45AM	Apr ISM-New York index ☆	826.5		849.3
10:00AM	Mar Durables ex-transpt R mm (%)	-0.4		-0.2
10:00AM	Mar Nondef cap ex-air R mm (%)	-0.1		0.1
10:00AM	Mar Durables ex-def, R mm (%)	-16.0		-15.8
10:00AM	Mar Factory orders mm (%)	-10.3	-9.7	0.0
10:00AM	Mar Durable goods, R mm (%)	-14.7		-14.4
10:00AM	Mar Factory ex-transp mm (%)	-3.7		-0.9
<b>Tuesday, May 05</b>				
8:30AM	Mar International trade mm \$ (bl) ☆	-44.4	-44.0	-39.9
8:55AM	w/e Redbook mm (%)	-12.6		-11.8
8:55AM	w/e Redbook yy (%)	-9.3		-8.1
10:00AM	Apr ISM N-Mfg PMI ★	41.8	36.8	52.5
10:00AM	Apr ISM N-Mfg Bus Act ★	26.0	45.0	48.0
11:30AM	52-Week Bill Auction (bl)	65		

## Recent Housing News

- Healthcare and Public Safety Expenditures Boost Construction in April
- Here's How The Pandemic Affected Housing/Mortgage Markets in March
- Fannie Profit Plummet; Forbearance Fears Confirmed

## Read My Latest Newsletter

## Mortgage Rates Are Super Low, But Not For Everyone

Investors buy and sell groups of mortgages that are pooled together in mortgage-backed bonds. The price an investor is willing to pay for a mortgage bond is the primary factor in determining mortgage rates. As demand for these bonds increases, rates fall (all other things being equal). As is the case for other types of bonds, such as US Treasuries, investor demand tends to increa...

## Mortgage Calculators

- ☒ Mortgage Payment w Amortization
- ☒ Loan Comparison
- ☒ Advanced Loan Comparison
- ☒ Early Payoff
- ☒ Should I Refinance?
- ☒ Rent vs. Buy
- ☒ Blended Rate

