

MARKET SUMMARY

Complete Recap of Today's Market Activity

What Does Today's Rally Mean For The Bigger Picture?

Market Summary: Thursday, May 19, 2022 - 8:53AM

Bonds began the day in flat to slightly weaker territory, but that didn't last long. A gigantic wave of selling in equities markets grew to tsunami-like proportions as the day progressed. Unlike many other examples of days where stocks fall 3-4% by noon, there was no major attempt to recover before the 4pm NYSE close. It was very clear throughout the day that the progressively larger selling spree in stocks was responsible for the progressively larger rally in bonds. With oil prices following the same path, "global growth concern" was the topic of the day. With all this being the case, today's bond rally, in and of itself, means very little for the bigger picture because its existence is predicated on ongoing stock losses.

Latest Video Analysis



What Does Today's Rally Mean For The Bigger Picture?



Dan Clifton

Mortgage Guru, Clifton
Mortgage Solutions

CliftonMortgageSolutions.com

P: (888) 681-0777

M: (407) 252-3039

dan@cliftonmortgagesolutions.com

1177 Louisiana Ave

Winter Park FL 32789

NMLS #284174



MBS & Treasury Markets

UMBS 5.5	103.77	+0.17	10YR	2.841%	-0.043%	5/19/2022 5:00PM EST
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Stronger Overnight. Data Not Hurting

- Jobless Claims 218k vs 200k f'cast, 197k prev
- Philly Fed Survey 2.6 vs 16.0 f'cast, 17.6 prev
- Philly Fed 6-mo outlook 2.5 vs 8.2 prev, lowest since 2008

Bonds were initially weaker overnight, but rallied significantly in Europe in concert with steep declines in equities, oil prices, and EU bond yields.

This morning's 830am data has actually proven to be a market mover, which isn't always something we'd assume from Philly Fed. But the notion of a 6-month outlook in a business sentiment survey being back to 2008 levels is telling.

Additionally, the "prices paid" component of the survey dropped to 78.9 from 84.6 in April. In a market where inflation is the key consideration, that may also hold some benefit for bonds.

10yr yields are down 8.8bps at 2.796 and UMBS 4.0 coupons are up 3/8ths of a point.

UPDATE: Massive Stock Sell-Off Helping Bonds

MBS MORNING: Reversal Reversing?

Today's Mortgage Rates

30YR Fixed	5.36%	-0.08%	15YR Fixed	4.80%	-0.05%	5/19/2022
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Rates Started Higher, But Recovered by The Afternoon

There has been a lot of volatility in the bond market recently. Because bonds drive interest rate changes, that's meant plenty of volatility in the mortgage market as well. The month of May has been less universally awful compared to March and April, one of the worse 2-month stretches in the modern history of rates. But in transitioning from "awful" to "something else," mortgage lenders are scrambling to set rates at the right levels.

Yesterday saw the bond market swoon all day. By the end of the day, some mortgage lenders had pulled back (i.e. raised rates) by quite a bit. Others waited until this morning. Either way, this morning's rates were distinctly higher than those seen over the past 3 business days.

As the day progressed, an extremely big drop in the stock market sent investors seeking safer havens in the bond market. Excess demand for bonds pushes bond prices higher. When bond prices rise, yields (another word for "rates") fall. By the end of the day, most lenders had re-issued rates at lower levels, more closely aligned with those seen last Friday.

This doesn't change the fact that rates are still in the mid 5% range, depending on the scenario. They're just slightly lower than they were yesterday afternoon or this morning.

Time	Event	Actual	Forecast	Prior
Thursday, May 19				
8:30AM	May Philly Fed Business Index ★★	2.6	16.0	17.6
8:30AM	w/e Continued Claims (ml)	1.317	1.320	1.343
8:30AM	w/e Jobless Claims (k) ☆	218	200	203
10:00AM	Apr Existing home sales (ml) ★	5.61	5.65	5.77
10:00AM	Apr Exist. home sales % chg (%) ★	-2.4		-2.7
10:00AM	Apr Leading index chg mm (%) ☆	-0.3	0.0	0.3
1:00PM	10-yr TIPS Auction (bl)	14		
Friday, May 20				

Recent Housing News

- Today's Construction Data Points to Ongoing Problem For Housing
- Purchase and Refinance Applications Tumble
- Builder Confidence Drops at Fastest Pace in 2 years

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Best Week For Rates in Almost 2 Years, But There's a Catch

Mortgage rates have moved higher at the fastest pace in decades so far in 2022, but this week proved to be a refreshing exception. To understand why, we first need to examine the relationship between stocks and bonds, which is a bit more variable than most people assume. Conventional wisdom holds that stock prices and bond yields correlate with each other. This makes good logi...

Mortgage Calculators

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