

MARKET SUMMARY

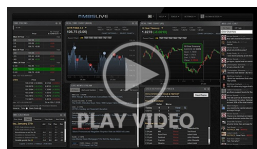
Complete Recap of Today's Market Activity

Beware The Token Recovery Potential

Market Summary: Tuesday, September 27, 2022 - 11:17AM

While there's no way to know exactly when it will happen, there's always some point at the end of an epic sell-off where prices have dropped enough to attract buyers and sellers have had their fill. A technician might simply say bonds were so oversold that they couldn't sell anymore, but such conclusions are typically made in hindsight. It's important to understand that these sorts of bounces can look big and meaningful at first, but may prove to be nothing more than temporary. Today is already at risk of providing an example.

Latest Video Analysis



Why Do US Rates Suddenly Care About The UK?



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UMBS 5.5	99.20	+0.72	10YR	3.945%	+0.017%	9/27/2022 5:00PM EST
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Sell-Off Accelerates After 10am Data

- Consume Confidence
 - 108 vs 104.5 f'cast
- New Home Sales
 - 685k vs 500k f'cast

Internal component of the confidence data were strong as well. The data also hits as Fed's Bullard is reinforcing the same old message.

MBS are now down 5 ticks (.16) on the day and a FULL POINT from the highs.

10yr yields are up 3bps after being down more than 10 earlier.

Lenders who were out with rates early could be considering negative reprices.

ALERT: Bonds Give Up Most Of The Gains

UPDATE: After Technical Recovery Overnight Bonds Yawn at Durable Goods

Today's Mortgage Rates

30YR Fixed 7.08% +0.21%

15YR Fixed 6.33% +0.18%

9/27/2022

Mortgage Rates Now at 20-Year Highs

The most recent historical high water market for was "14 years." It was broken so many times in September that last Tuesday. Now, less than a week later, 14-year highs would be more exciting than boring. As of mid-day today, we're officially at 20 year highs.

Perhaps it should be "unofficial," because our daily rate records only go back to the beginning of 2009. We're relying on weekly survey data for the historic highs and it's entirely possible that there was a day or two in 2008 where rates were higher than today, but we digress. Comparing current rate levels to various points in the past isn't really important.

What's important is that less than a year, the payment on a new \$400k mortgage is up at least \$1000/month. Many lenders are now quoting top tier 30yr fixed rates over 7%.

Why have rates spiked so quickly? One might assume it has something to do with last week's Fed rate hike. After all, the Fed hiked rates and then mortgage rates went higher, but that's actually at the moment.

The issue stems from strange goings-on in the realm of fiscal policy in The UK. Yes, that's an odd thing to consider when it comes to mortgage rates in the US, but it's important to understand just how huge the market reaction to recent events in The UK has been. Without going into tedious detail, the best way to convey the drama is by noting that British 10yr yields have risen more than 1.00% in 4 business days.

Contrast that to US 10yr yields which have only jumped by about a third of that. Also consider that "a third" is a smaller than normal correlation for these two markets.

In other words, the market movement overseas is so big that, even with a far diminished echo, it's been enough for another major jump in rates.

Don't expect any emergency help from the Fed either. Multiple Fed speakers were out today reiterating that they're still waiting for evidence that inflation has turned a corner and for evidence that their policies are producing a certain amount of economic pain. Pain is normally bad, but in this case, the Fed views it as evidence of traction in the fight against inflation. In any event, at best, it will take weeks and probably months for economic data to open the door for a softer stance from the Fed.

Bottom line: 7% or close to it is the new 30yr fixed rate reality for now.

Time	Event	Actual	Forecast	Prior
Tuesday, Sep 27				
8:30AM	Aug Durable goods (%) ☆	-0.2	-0.4	-0.1
8:30AM	Aug Core CapEx (%) ☆	1.3	0.2	0.3
9:00AM	Jul Case Shiller Home Prices-20 y/y (%) ☆	+16.1	17.0	18.6
9:00AM	Jul CaseShiller Home Prices m/m (%)	-0.4	0.2	0.4
9:00AM	Jul FHFA Home Prices y/y (%) ☆	13.9		16.2
9:00AM	Jul FHFA Home Price Index m/m (%)	-0.6		0.1
10:00AM	Aug New Home Sales (ml) ☆	0.685	0.500	0.511
10:00AM	Sep Consumer confidence ★	108.0	104.5	103.2
10:00AM	Aug New Home Sales (%) (%) ★	28.8		-12.6
1:00PM	5-Yr Note Auction (bl) ★	44		
Wednesday, Sep 28				
7:00AM	w/e MBA Purchase Index	199.3		200.1
7:00AM	w/e MBA Refi Index	524.1		588.1
10:00AM	Aug Pending Sales Index	88.4		89.8
10:00AM	Aug Pending Home Sales (%) ☆	-2.0	-1.4	-1.0
10:30AM	w/e Crude Oil Inventory (ml)	-0.215	0.443	1.142
11:30AM	2-Yr Note Auction (bl)	22		
1:00PM	7-Yr Note Auction (bl) ★	36		

Recent Housing News








- Existing Home Sales Down Slightly, Price Appreciation Slows
- Application Volume Rises Slightly Despite Big Rate Increases
- Housing Starts See Double Digit Gains

Read My Latest Newsletter

Mortgage Rates Closing in on 7%. Any Relief in Sight?

In order to make the most of today's newsletter, you'll need a basic understanding of the Fed Funds Rate (the thing the Fed actually hikes or cuts in an attempt to keep inflation in a target range) and the fact that mortgage rates are very different from the Fed Funds Rate. Here is a handy primer that lays out all the reasons for that in reasonably plain language: No, The Fed Hike Doesn't...

Mortgage Calculators

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