

MARKET SUMMARY

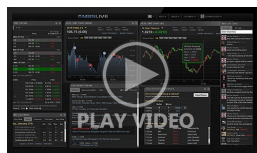
Complete Recap of Today's Market Activity

Recent Gains Could Simply Be a Correction. Data Will Decide

Market Summary: Thursday, October 27, 2022 - 5:17PM

Bonds may have moved into stronger territory today (near the best levels in 2 weeks), but that might not have happened without a much bigger rally in European bond markets following the European Central Bank (ECB) announcement. The timing made it hard to sort out those impacts from the potential influence of internal components of the GDP and Durable Goods data. Either way, bonds have effectively corrected the overdone selling spree from late last week and should shift to a more data-dependent stance from here.

Latest Video Analysis



Recent Gains Could Simply Be a Correction. Data Will Decide.mp4



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MBS & Treasury Markets

UMBS 5.5	99.31	+0.48	10YR	3.925%	-0.082%	10/27/2022 5:00PM EST
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Big Stock Sell-Off Helping Bonds

On most recent occasions, when stocks are selling aggressively, bonds are also hurting because both are responding to changes in the monetary policy outlook. This afternoon is an exception as stocks get hit by earnings. In this cases, stock selling has had its normal tendency to spill over to bond buying.

10yr yields are now down more than 10bps to new lows of 3.906.

MBS have pulled back up from their late-day swoon and are now back in line with the sideways levels that dominated almost all of the PM hours until just before 4pm.

ALERT: Bonds Doing OK, But MBS Are Lagging After Hours

UPDATE: Bouncing Back Now

Today's Mortgage Rates

30YR Fixed 7.04% -0.03%

15YR Fixed 6.44% -0.06%

10/27/2022

Lowest Mortgage Rates in 3 Weeks

As of yesterday, were already on their best winning streak since late July in terms of consecutive days spent moving lower. With today's addition to the trend, we'd now need to go much farther back into the past to see another 5 day winning streak.

All that having been said, the length of the winning streak doesn't matter too much. It certainly isn't the largest drop in rates over a 5 day time frame (late July saw more movement in fewer days, in fact). The consistency merely suggests a potential shift in the overall tone from unequivocal panic to something more balanced--a shift that would mirror comments from a Fed speaker last week as well as a widely-cited Wall Street Journal article suggesting the same.

None of this is to say that bonds/rates are moving purely based on emotion and anticipation of a softer stance from the Fed. Certainly the Fed expectations account for some of the friendly momentum enjoyed by rates this week, but in today's case, there were a few supporting actors. These included a European Central Bank announcement that was slightly friendlier than markets were expecting as well as a few clues in economic data that suggested Fed policies were beginning to have an impact.

Of course the Fed's impact is unabashedly obvious in the housing and mortgage markets--a fact that will be even more widely understood with the weekly Freddie Mac survey finally crossing above 7% (a phenomenon we first observed about a month ago). Yes, it is ironic that rates have moved lower for 5 days in a row to the best levels in 3 weeks and the Freddie survey showed rates moving up to new 20 year highs, but it's not an unsurprising result given our past observations about Freddie's methodology.

After being closer to the "mid 7s" last Friday morning, rates are now in the low 7s for the average lender and, in many cases, the high 6's.

Time	Event	Actual	Forecast	Prior
Thursday, Oct 27				
8:15AM	ECB Statement ★			
8:30AM	Q3 GDP Advance (%) ★★	2.6	2.4	-0.6
8:30AM	Sep Durable goods (%) ☆	0.4	0.6	-0.2
8:30AM	Sep Core CapEx (%) ☆	-0.7	0.5	1.4
8:30AM	w/e Continued Claims (ml)	1438	1388	1385
8:30AM	w/e Jobless Claims (k) ☆	217	220	214
1:00PM	7-Yr Note Auction (bl) ★	35		
Friday, Oct 28				
8:30AM	Q3 Employment costs (%) ☆	1.2	1.2	1.3
8:30AM	Sep Outlays (consumer spending) (%) ☆	0.6	0.4	0.4
8:30AM	Sep Core PCE Inflation (y/y) (%) ★★	5.1	5.2	4.9
10:00AM	Sep Pending Sales Index	79.5		88.4
10:00AM	Oct Sentiment: 1y Inflation (%) ☆	5.0		5.1
10:00AM	Oct Consumer Sentiment (ip) ☆	59.9	59.8	59.8
10:00AM	Oct Sentiment: 5y Inflation (%) ☆	2.9		2.9
10:00AM	Sep Pending Home Sales (%) ☆	-10.2	-5.0	-2.0

Recent Housing News

- Weekly Mortgage Application Data: It's Like You'd Expect With Rates in The 7's
- Home Prices Fell Even Faster in August, But Still Up Big Year-Over-Year
- Some Nuances in The Existing Home Sales Data

Read My Latest Newsletter

Sifting Through Ashes For Seeds Of Hope

There's no way to sugarcoat the situation in the bond market and, by extension, the mortgage and housing markets. Rates have risen at a nearly unprecedented pace, ushering in one of the quickest cooldowns on record. One of the only ways to find hope in this environment is to imagine that bad news is finite. To be clear, "bad news" is relative, because it has been the resilience of the domestic ...

Mortgage Calculators

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