

MARKET SUMMARY

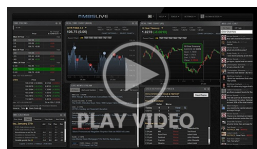
Complete Recap of Today's Market Activity

Perfect Storm Leaves Rate Range Perfectly Intact

Market Summary: Sunday, February 5, 2023 - 4:19PM

Coming into the week, yields were near the top of a narrow range (3.4-3.56 give or take). With both ISM reports, the jobs report, and policy announcements from the Fed/ECB/BOE, it was a distinct possibility that we'd see that range broken. By Thursday morning, that looked like it was a work in progress, but by the end of the day, yields were back to 3.40. Then in a cruel twist of fate this morning, NFP beat forecasts by the widest margin in a year and half. 90 minutes later, ISM crushed its forecasts as well. These events combined to push yields right up to the top of the range, leaving us to hurry up and wait for the next set of potential market movers.

Latest Video Analysis



Perfect Storm Leaves The Range Perfectly Intact.mp4



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MBS & Treasury Markets

UMBS 5.5	101.31	-0.44	10YR	3.528%	+0.126%	2/3/2023 5:00PM EST
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Drifting Back Toward Weaker Levels

MBS are back down 5/8ths on the day in 5.0 coupons and 10yr yields are up 13.4bps at 3.536. Both of these are fairly close to the weakest levels of the day and a bit of a departure from the "less bad" levels seen around 1pm.

The move isn't significant or important in the bigger picture, but the jumpiest of lenders could technically condone a negative reprice if they'd released rates before 10am ET or if they repriced for the better this afternoon.

MBS MORNING: Big Double Whammy For Bonds, But With a Few Caveats

ALERT: ISM Data = Salt in The Wound For Bonds

Today's Mortgage Rates

30YR Fixed	6.19%	+0.20%	15YR Fixed	5.30%	+0.13%	2/3/2023
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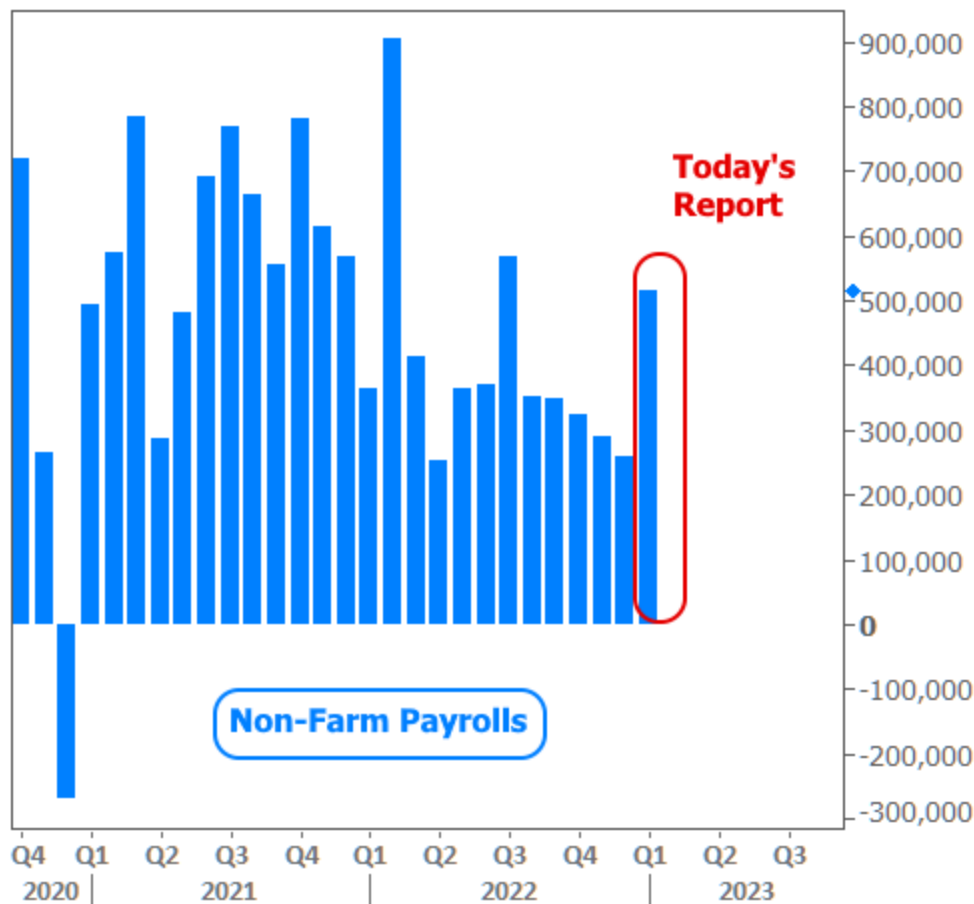
Wild Ride For Rates After Stunning Jobs Report

take cues from several places. Regularly scheduled economic data is always a consideration because a stronger economy implies more growth and tighter Fed policy, both of which are bad for rates.

Certain reports carry significantly more weight than others. If put to a vote, the perennial top dog would be The Employment Situation (aka "the jobs report"). Over the years it is responsible for more volume and volatility in rates than any other data. The most recent installment came out this morning and it was a doozy.

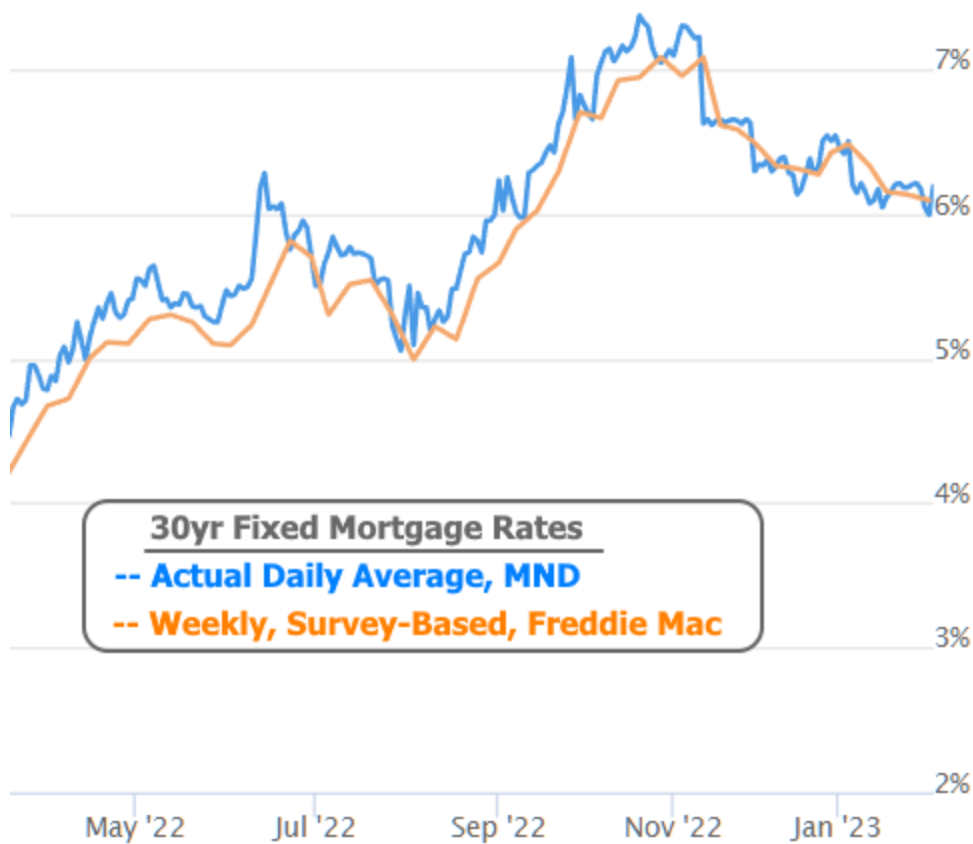
The headline number of the jobs report is a tally of new job creation reported by employers: nonfarm payrolls (NFP). That's just a fancy name for "jobs." Today's data reported the new jobs added in January, and there were quite a bit more than expected.

NFP can be fairly volatile. It's not uncommon to see the number deviate from forecasts by more than 100k a few times a year. Those big deviations usually result in big reactions in rates. Forecasts called for just shy of 200k jobs. Today's actual NFP number came in at a staggering 517k, thus edging out March 2022 to stand as the biggest deviation since August 2021.



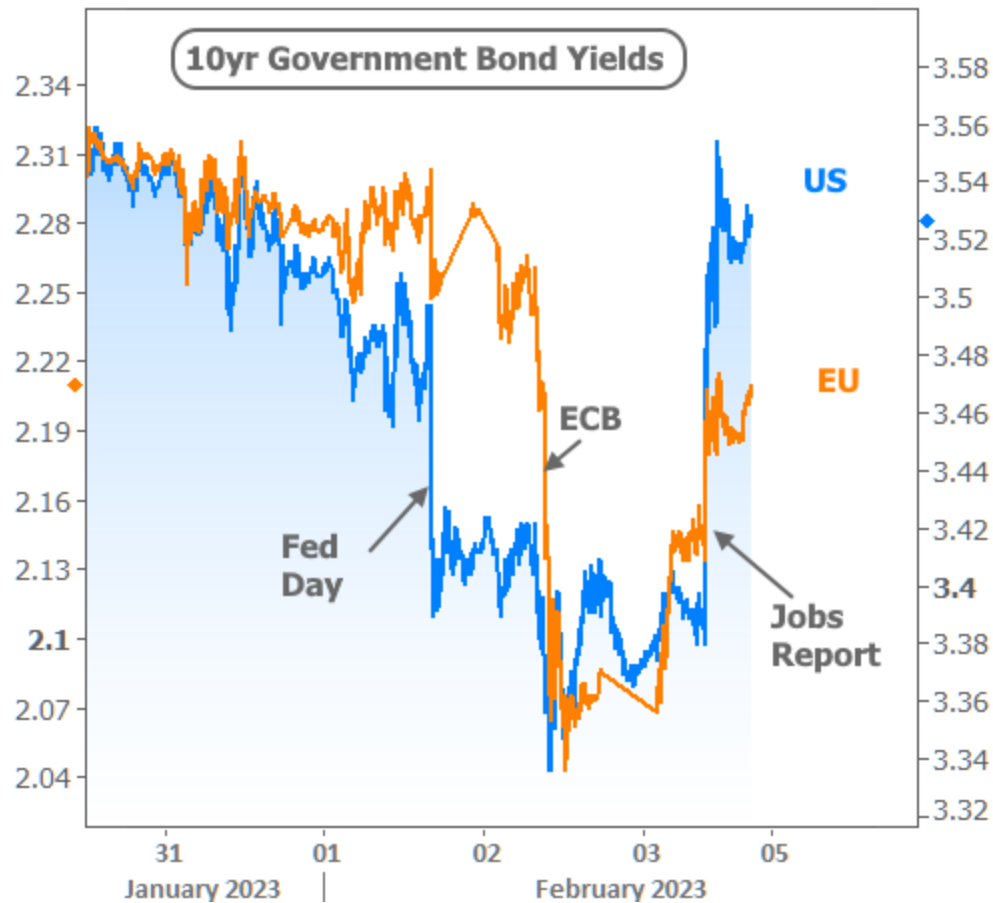
To some extent, the massive gains may be attributed to a seasonal adjustment process that still struggles to understand new seasonal patterns that emerged after the pandemic. But even if we forego seasonal adjustments, the economy added more than 400k jobs per month on average over the past 12 months and the employment rate has fallen to the lowest level since the 1960s.

In other words, despite anecdotes that speak to cracks in the economy, the most highly-regarded measure of employment says things are super strong. Super strong jobs numbers are bad for rates and these were no exception. Fortunately, the damage arrived one day after the lowest rates in more than 4 months. This keeps rate volatility lower in the bigger picture.

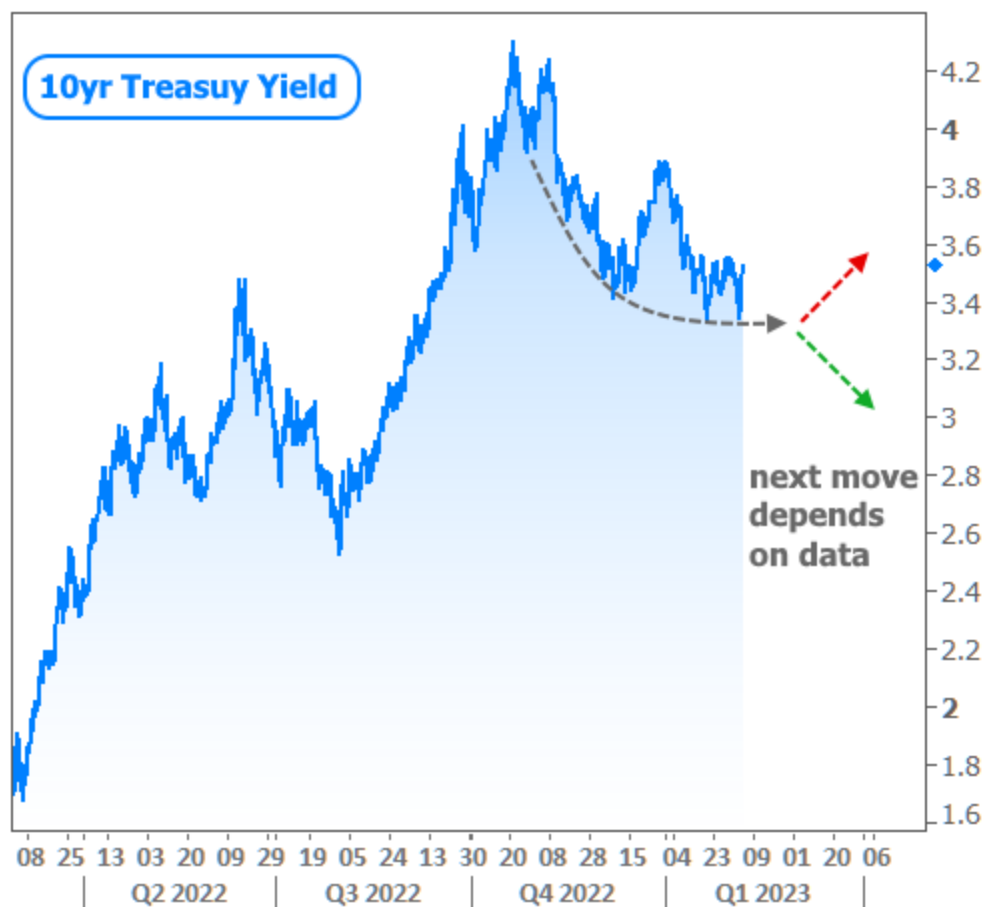


You may notice the small jump at the very end of the blue line in the chart above. That was the impact from the jobs report. only change once or twice a day at most, so we can examine the week on a more granular level by looking at 10yr Treasury Yields which correlate quite well with mortgage rates.

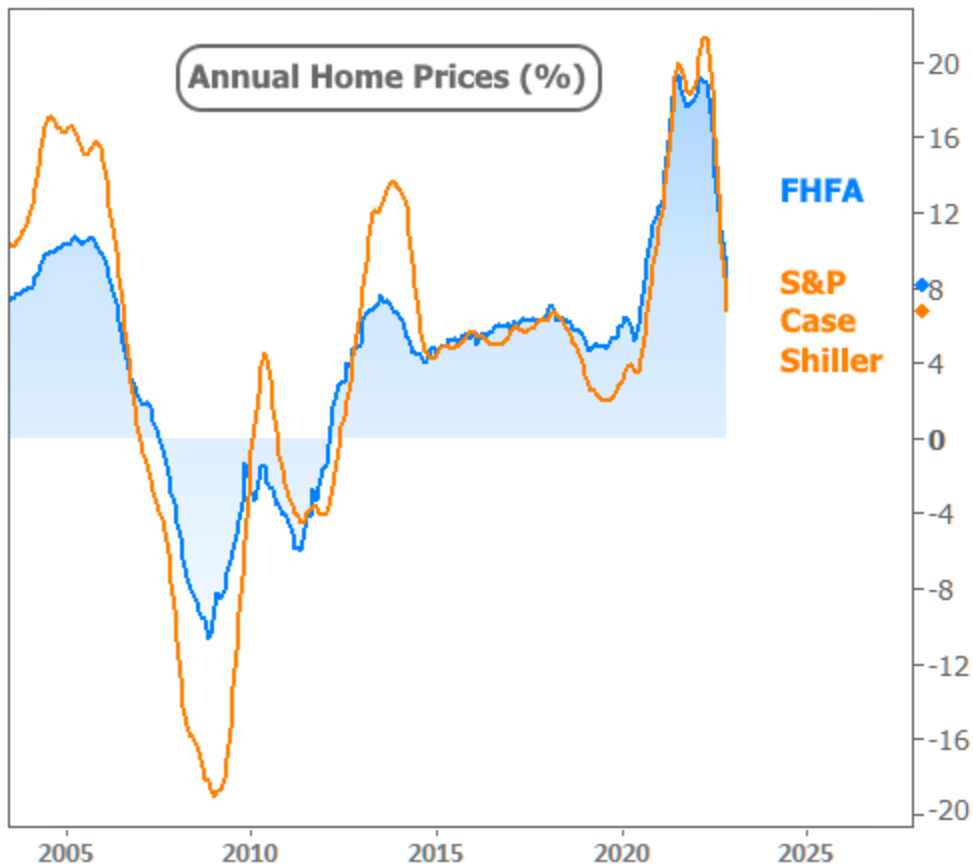
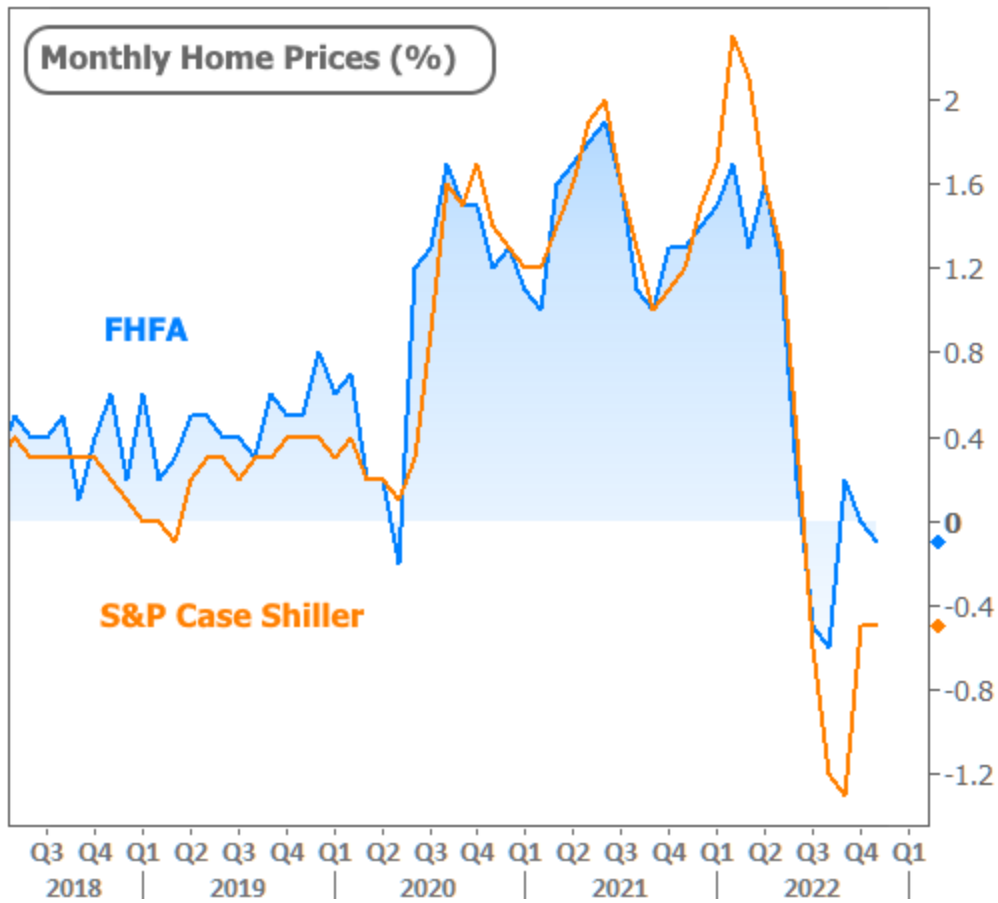
The chart below shows recent movement in 10yr yields both for the US and the EU. Why EU? Because Europe's central bank (the ECB) released a policy announcement this week one day after the Fed released its own policy announcement. Both banks hiked rates as expected, but both delivered comments that the bond market found to be more rate-friendly than expected. That's why US yields fell on Wednesday afternoon after the Fed and EU yields fell on Thursday morning after the ECB.



Despite the volatility in the short term, the bigger picture is much calmer than it had been in late 2022. In fact rates have generally been settling down and shifting into a sideways pattern ever since topping out in the fall. If inflation continues to decelerate and if the economy were to weaken, rates would likely continue lower, but if we see more data like we saw today, that progress would be delayed.



In other news this week, home price indices were updated for both S&P Case Shiller and the FHFA. Prices continue to decline roughly in line with expectations in month over month terms, but remain higher than normal in annual terms.



Time	Event	Actual	Forecast	Prior
Friday, Feb 03				
8:30AM	Jan Private Payrolls (k)	443	190	269
8:30AM	Jan Non-farm payrolls (k) ★★	517	185	260
8:30AM	Jan Average workweek hrs (hr)	34.7	34.3	34.4
8:30AM	Jan Unemployment rate mm (%) ★★	3.4	3.6	3.5
8:30AM	Jan Average earnings mm (%) ★	0.3	0.3	0.4
10:00AM	Jan ISM Biz Activity ★	60.4	54.5	54.7
10:00AM	Jan ISM N-Mfg PMI ★★	55.2	50.4	49.6
Monday, Feb 06				

Recent Housing News

- Mortgage Applications Slow Their Pace, But Rates Should Help Soon
- Home Prices Are Slightly Lower, But Far From Plumetting
- Latest Home Sales Data Adds to Case For a Bounce

Read My Latest Newsletter

Wild Ride For Rates After Stunning Jobs Report

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Mortgage Calculators

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