

MARKET SUMMARY

Complete Recap of Today's Market Activity

Overnight Overseas Pressure

Market Summary: Wednesday, June 26, 2024 - 1:15PM

The absence of relevant domestic market movers has been a theme all week. While that has gone hand in hand with relatively uninspired bond market movement so far, today has been complicated by overseas developments. Initial pressure came from sharply higher inflation numbers in Australia. After that, runaway weakness in USD/Yen is fueling concerns over actual or potential intervention from Japan (i.e. selling Treasuries to buy Yen-denominated assets). Big pops in Yen have indeed coincided with mysterious spurts of Treasury selling so far this morning, with a bit of a delay.

Latest Video Analysis



Decent 2yr Auction, But No Major Inspiration For Bonds



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UMBS 5.5 98.80 -0.27 | 10YR 4.330% +0.082% 6/26/2024 5:00PM EST

Off The Weakest Levels After 5yr Auction

- 5yr Treasury Auction
 - 4.331 vs 4.335 expectations
- Bid to Cover
 - 2.35 vs 2.39 recent average
- Auction Grade: B

Bonds have generally been weaker on the day, pushing the upper boundary of the recent yield range. The auction was today's biggest potential market mover in terms of scheduled events, but this one was fairly unequivocal. On a day where bonds were already losing ground, an "average" auction has proven to be a modest relief, helping yields move a bit lower versus pre auction levels, but still elevated on the day.

10s are up 5.5bps at 5.304.

MBS are down 5 ticks (.16) in 5.5 coupons and 3 ticks (.09) in 6.0 coupons.

MBS MORNING: Overnight Overseas Pressure

ALERT: Weakest Levels of The Day, just barely

Today's Mortgage Rates

30YR Fixed 7.06% +0.03% | 15YR Fixed 6.47% +0.03% 6/26/2024

The Miraculously Sideways Streak Continues

have been flatter than the earth according to the flat earth society. Much like the actual earth in many areas in the middle of the country--and especially Florida--things can be flat for as far as the eye can see, but the farther one moves along, the more they'll see the contour.

For now, though, mortgage rates are in Florida (or IL, ND, MN, etc...). Conventional 30yr fixed rates inched up 0.01% from yesterday--effectively unchanged and in the same tight range of 7.01 to 7.04 seen since last Monday.

Much like the actual geology of the planet, this isn't a conspiracy. It's just the way things are relative to what we can see around us. It will change, but not until markets are forced to confront mountains of more important economic data and events.

Tomorrow's events have only a slightly better chance of forcing the bond market (and thus, mortgage rates) to make bigger moves. Friday continues to be the biggest risk/opportunity, but it's really the following 2 weeks of data that are almost certainly destined to deliver peaks and valleys.

Time	Event	Actual	Forecast	Prior
Wednesday, Jun 26				
7:00AM	Jun/21 Mortgage Market Index	212.0		210.4
7:00AM	Jun/21 MBA Purchase Index	147.8		146.0
7:00AM	Jun/21 MBA Refi Index	552.4		552.7
7:00AM	Jun/21 MBA 30-yr mortgage rate (%)	6.93%		6.94%
7:00AM	Jun/21 MBA Mortgage Applications	0.8%		0.9%
8:00AM	May Build permits: change mm (%)	-2.8%	-3.8%	-3%
8:00AM	May Building permits: number (ml)	1.399M	1.386M	1.440M
10:00AM	May New Home Sales (ml) ☆	0.619M	0.64M	0.634M
10:00AM	May New Home Sales (%) (%)	-11.3%		-4.7%
10:30AM	Jun/21 EIA Refinery Crude Runs Change	-0.233M		-0.282M
10:30AM	Jun/21 EIA Heating Oil Stocks Change	0.406M		0.526M
10:30AM	Jun/21 EIA Distillate Fuel Production Change	0.142M		-0.272M
10:30AM	Jun/21 Crude Oil Inventory (ml)	3.591M	-3M	-2.547M
10:30AM	Jun/21 EIA Distillate Stocks Change	-0.377M	-1.5M	-1.726M
10:30AM	Jun/21 EIA Gasoline Production Change	-0.289M		0.084M
10:30AM	Jun/21 EIA Gasoline Stocks Change	2.654M	-1.1M	-2.28M
10:30AM	Jun/21 EIA Cushing Crude Oil Stocks Change	-0.226M		0.307M
10:30AM	Jun/21 EIA Crude Oil Imports Change	0.065M		-2.48M
11:30AM	2-Yr Note Auction (bl)	28		
11:30AM	17-Week Bill Auction (%)	5.220%		5.220%
11:30AM	2-Year FRN Auction (%)	0.155%		0.139%
1:00PM	5-Year Note Auction	4.331%		4.553%
1:00PM	5-Yr Note Auction (bl) ★	70		
4:30PM	Bank Stress Tests ☆			
Thursday, Jun 27				
8:30AM	Q1 Real Consumer Spending QoQ Final	1.5%		3.3%
8:30AM	May Durables ex-transport (%)	-0.1%	0.2%	0.4%
8:30AM	May Durables ex-defense mm (%)	-0.2%		0%
8:30AM	Jun/22 Jobless claims 4-wk avg (k)	236K		232.75K
8:30AM	Jun/22 Jobless Claims (k) ☆	233K	236K	238K
8:30AM	May Core CapEx (%) ☆	-0.6%	0.1%	0.3%
8:30AM	Q1 Core PCE Prices QoQ Final ☆	3.7%	3.6%	2%

Time	Event	Actual	Forecast	Prior
8:30AM	Jun/15 Continued Claims (ml)	1839K	1820K	1828K
8:30AM	May Durable goods (%) ☆	0.1%	-0.1%	0.7%
8:30AM	Q1 Corporate profits (%)	-2.7%	-1.7%	3.9%
8:30AM	Q1 GDP (%) ★	1.4%	1.4%	3.4%
8:30AM	May Retail Inventories Ex Autos MoM Adv	0%		0.3%
8:30AM	Q1 PCE Prices QoQ Final	3.4%	3.3%	1.8%
8:30AM	Q1 GDP Final Sales (%)	1.8%	1.7%	3.9%
8:30AM	May Wholesale inventories mm (%) ☆	0.6%	0.1%	0.1%
8:30AM	May Goods Trade Balance Adv	\$-100.62B	\$-96B	\$-99.41B
8:30AM	Q1 GDP deflator (%)	3.1%	3.1%	1.7%
10:00AM	May Pending Home Sales YoY	-6.6%	2.5%	-7.4%
10:00AM	May Pending Home Sales (%) ☆	-2.1%	2.5%	-7.7%
10:30AM	Jun/21 Nat gas-EIA, change bcf	52Bcf	53Bcf	71Bcf
10:30AM	NY Fed Treasury Purchases TIPS 7.5 to 30 yrs (%)		\$30 million	
11:00AM	Jun KC Fed manufacturing	-11		-1
11:00AM	Jun Kansas Fed Composite Index	-8		-2
11:30AM	8-Week Bill Auction	5.260%		5.260%
11:30AM	4-Week Bill Auction	5.270%		5.230%
12:00PM	Jun/26 15-Year Mortgage Rate	6.16%		6.13%
12:00PM	Jun/26 30-Year Mortgage Rate	6.86%		6.87%
1:00PM	7-Year Note Auction	4.276%		4.650%
1:00PM	7-Yr Note Auction (bl) ★	44		
4:30PM	Jun/26 Central Bank Balance Sheet	\$7.23T		\$7.25T

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June Shaping Up Nicely, But Bigger Tests Are Yet to Come

After a rocky start to the year, things began to improve for rates and the inflation outlook in May. June took the improvement to the next level, but this week didn't affect the bigger picture. Ahead of Wednesday's market closure for Juneteenth, the most relevant economic report was Retail Sales on Tuesday morning. It came in slightly below forecast and the previous month was revised lowe...

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