

MARKET SUMMARY

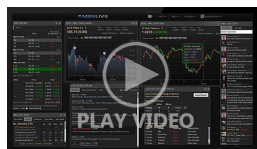
Complete Recap of Today's Market Activity

What to Make of Week's Weakest Levels After Solid PCE Data

Market Summary: Saturday, June 29, 2024 - 11:12AM

Things looked good for the bond market earlier this morning. While yields were still quite a bit higher than those seen earlier in the week, there was an immediate, positive response to the on-target PCE data. The gains didn't last long with sellers running the table mostly between 10am and 11am ET. While some of the move could be due to traders moving to the sidelines ahead of near-term potential political developments, month/quarter-end positioning likely had a much bigger impact. Bonds ended the week at their weakest levels, but this pull-back doesn't inform next week's trading in the slightest. That honor goes to the active slate of bigger ticket economic data.

Latest Video Analysis



What to Make of Week's Weakest Levels After Solid PCE Data



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THE MORTGAGE PLANNER

MBS & Treasury Markets

UMBS 5.5 98.52 -0.42 10YR 4.398% +0.111% 6/28/2024 5:00PM EST

Even More Reprice Risk Now

Bonds are losing even more ground at the 4pm NYSE close with 10yr yields now up 10bps at 4.387 and MBS down nearly 3/8ths of a point. If you haven't seen a negative reprice yet, it's becoming increasingly likely.

MBS MORNING: Month/Quarter-End Trading Causing Lots of Volatility

ALERT: Negative Reprices Becoming More Likely

Today's Mortgage Rates

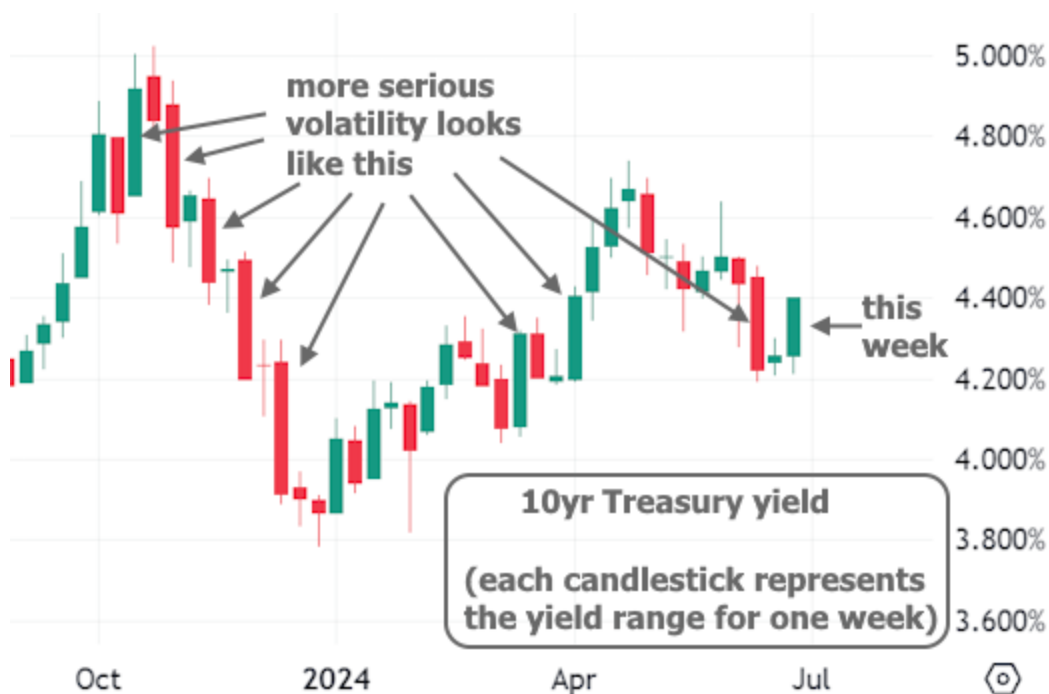
30YR Fixed 7.07% +0.02% 15YR Fixed 6.45% +0.00% 6/28/2024

Mortgage Rates Are Actually Higher This Week

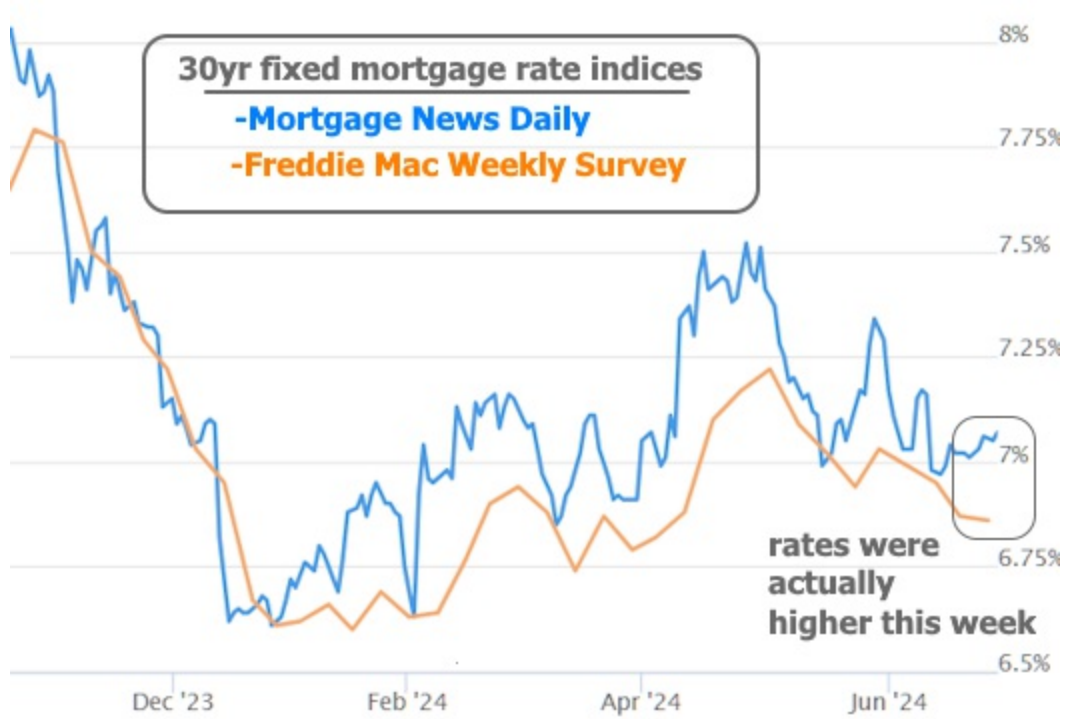
The week began with a distinct absence of interest rate volatility, but things changed in a big way by Friday--at least compared to the previous week which was exceptionally quiet.



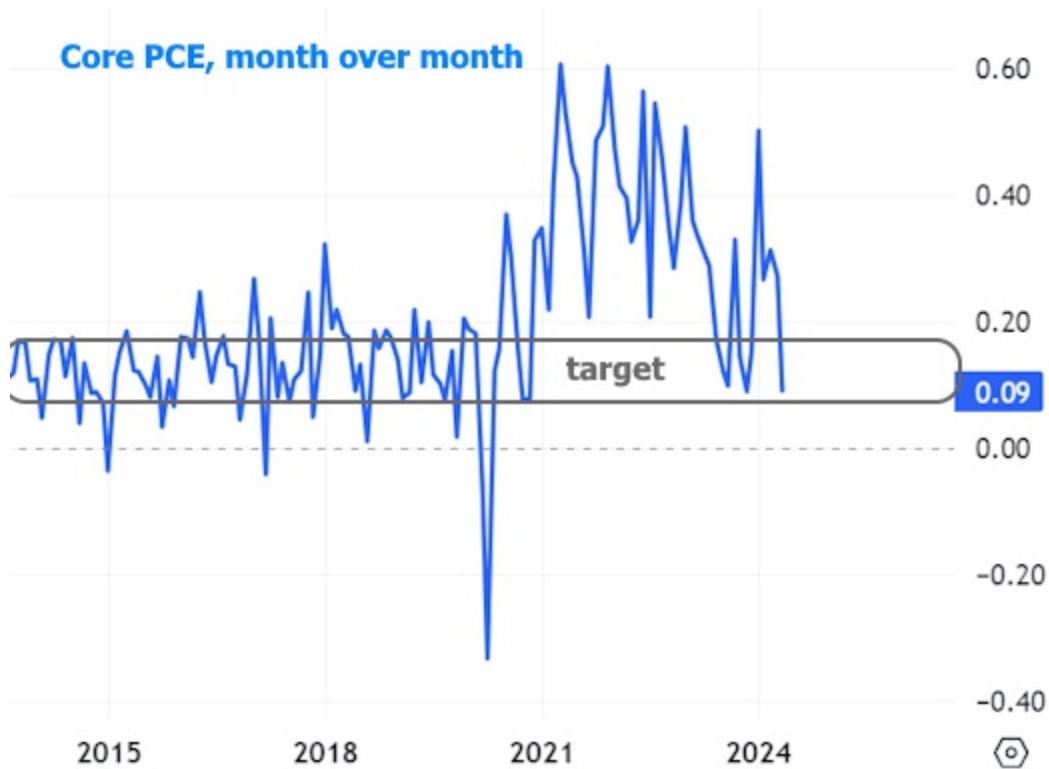
In the bigger picture, however, it was just another week that felt volatility in the short term due to a surprising rate spike on Friday.



Incidentally, the fact that this week's rate spike occurred at the end of the week means that Freddie Mac's weekly mortgage rate index missed detecting the shift. More timely daily data shows average trending slightly higher this week as opposed to lower.

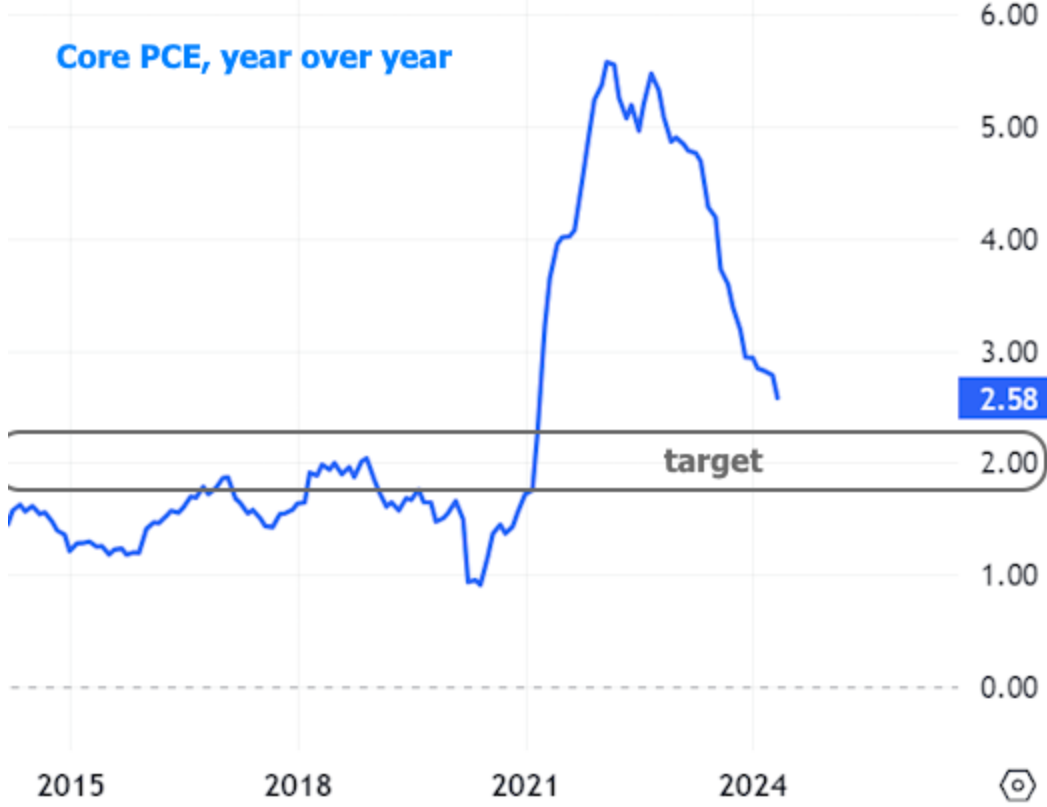


The most eagerly anticipated data was the PCE price index for May. This is a similar measure of inflation to CPI (the Consumer Price Index) that came out 2 weeks ago. Core PCE, which excludes more volatile food and energy prices, was even more favorable for the inflation outlook.



The chart above may make it seem that inflation has returned to the target level, but success is measured by the year over year numbers hitting 2%. The Fed has indicated it would consider rate cuts when it was more confident about hitting 2%. We're definitely not there yet, but arguably getting closer.

Core PCE, year over year



Friday afternoon saw an abrupt reversal in rates tied to the compulsory trading that often creates volatility at the end of a month/quarter (Friday was both). There is no rhyme or reason to month-end trading when it comes to a typical impact. In other words, it can be good or bad for rates. We don't get to know ahead of time. This time it was bad.

Some rate watchers entertained the notion that the presidential debate had an impact, but while that may have contributed to market volatility, the timing of the volume and volatility makes a strong case for month/quarter-end trading. Simply put, if the debate were the x factor, we would not have expected the market to wait until the times of day typically associated with month-end trading to make the biggest trades.

Time	Event	Actual	Forecast	Prior
Friday, Jun 28				
6:00AM	Fed Barkin Speech ☆			
8:30AM	May Core PCE Inflation (y/y) (%) ★	2.6%	2.6%	2.8%
8:30AM	May Personal Income (%)	0.5%	0.4%	0.3%
8:30AM	May PCE (y/y) (%)	2.6%	2.6%	2.7%
8:30AM	May PCE price index mm (%)	0%	0%	0.3%
8:30AM	May Inflation-Adjusted Spending (Consumption) (%)	0.2%	0.3%	0.2%
8:30AM	May Core PCE (m/m) (%) ★★★	0.1%	0.1%	0.2%
8:40AM	Fed Daly Speech ☆			
9:45AM	Jun Chicago PMI ★	47.4	40	35.4
10:00AM	Jun Consumer Sentiment (ip) ☆	68.2	65.8	69.1
10:00AM	Jun Sentiment: 5y Inflation (%) ☆	3%	3.1%	3%
10:00AM	Jun Sentiment: 1y Inflation (%) ☆	3%	3.3%	3.3%
10:00AM	Jun Michigan Consumer Expectations Final	69.6	67.6	68.8
10:00AM	Jun U Mich conditions ☆	65.9	62.5	69.6
12:00PM	Fed Bowman Speech ☆			
12:30PM	Jun Quarterly Grain Stocks - Corn	4.993B		8.347B
12:30PM	Jun Quarterly Grain Stocks - Soy	0.969B		1.845B
12:30PM	Jun Quarterly Grain Stocks - Wheat	0.702B		1.087B
12:40PM	Fed Daly Speech ☆			
1:00PM	Jun/28 Baker Hughes Total Rig Count	581		588
1:00PM	Jun/28 Baker Hughes Oil Rig Count	479		485
Monday, Jul 01				
9:45AM	Jun S&P Global Manuf. PMI ☆		51.7	51.3
10:00AM	Jun ISM Manufacturing New Orders			45.4
10:00AM	May Construction spending (%)		0.1%	-0.1%
10:00AM	Jun ISM Manufacturing PMI ★★★		49	48.7
10:00AM	Jun ISM Manufacturing Employment			51.1
10:00AM	Jun ISM Mfg Prices Paid ★		55.9	57.0
11:30AM	52-Week Bill Auction (bl)	73		
11:30AM	6-Month Bill Auction			5.140%
11:30AM	3-Month Bill Auction			5.235%
11:30AM	26-Week Bill Auction (bl)		70	

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Slow Start for Rates Gives Way to Volatility With More to Come Next Week

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