

MARKET SUMMARY

Complete Recap of Today's Market Activity

Data Over Politics, For Now

Market Summary: Wednesday, July 3, 2024 - 5:23PM

Several days ago, we were debating whether the presidential debate or the month-end/new-month trading environment was the bigger market mover. The political angle was more popular in the analytical community, but evidence is increasingly suggesting that popularity wasn't necessarily warranted. Today offered some compelling evidence in the form of absolutely no reaction to a widely circulated newswire that seemed to suggest Biden having second thoughts about remaining in the running. Contrast that to the immediate and obvious reaction to the ISM Services data, which made for the highest Treasury trading volume since PPI and jobless claims data on June 13th. Data will remain in focus when markets return from the holiday break on Friday morning thanks to non-farm payrolls.



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Latest Video Analysis



Data Over Politics For Now

MBS & Treasury Markets

UMBS 5.0	96.67	+0.30	10YR	4.360%	-0.072%	7/3/2024 1:59PM EST
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Weaker Data, Stronger Bonds, Early Close

The bond market will close at 2pm instead of 5pm today as a part of the Independence Day holiday (fully closed tomorrow). With only a few hours left, it's off to as good of a start as we could ask for, at least in terms of the bond market. The economy is another story. ISM Services is today's biggest data headline and it was much weaker than expected and much weaker than last time. Especially notable was the big drop in business activity from 61.2 to 49.6, the first sub-50 reading since the initial lockdowns in 2020. This builds a case for broader economic shift though the timing odd in juxtaposition to last month's reading which was the highest in more than year. Bonds reacted decisively with the highest data-driven volume since the big jump in jobless claims and the big miss in PPI on Thursday, June 13th.

UPDATE: Additional Gains After ISM Data

UPDATE: Modestly Stronger After First Round of Data

Today's Mortgage Rates

30YR Fixed 7.08% -0.05%

15YR Fixed 6.45% -0.02%

7/3/2024

Mortgage Rates Move Lower After Weak Service Sector Report

"Data dependent" is one of the most common phrases heard from the Federal Reserve these days when it comes to rate-setting policy. And while the Fed doesn't directly dictate, the bond market tends to trade the same data that the Fed cares about.

Today's key report, the ISM Services index, isn't quite at the top of the Fed's list, but it's a longstanding market mover when it comes to bonds and, thus, rates. Today's installment was much weaker than expected. Weak data correlates with lower rates, all other things being equal.

Bonds improved immediately after the release. This allowed mortgage lenders to set lower rates today. Some lenders had already published their initial rates for the day and several of them ended up issuing positive reprices before the end of the day.

The bond market is closed tomorrow for the holiday, but will be back to digest an even more important economic report on Friday morning: the big jobs report.

Time	Event	Actual	Forecast	Prior
Wednesday, Jul 03				
7:00AM	Jun/28 MBA Purchase Index	142.9		147.8
7:00AM	Jun/28 MBA Refi Index	544.1		552.4
7:00AM	Fed Williams Speech ☆			
7:30AM	Jun Challenger layoffs (k)	48.786K		63.816K
8:15AM	Jun ADP jobs (k) ☆	150K	160K	152K
8:30AM	May Trade Gap (bl)	\$-75.1B	\$-76.2B	\$-74.6B
8:30AM	Jun/22 Continued Claims (ml)	1858K	1840K	1839K
8:30AM	Jun/29 Jobless Claims (k) ☆	238K	235K	233K
9:45AM	Jun S&P Global Composite PMI ☆	54.8	54.6	54.5
9:45AM	Jun S&P Global Services PMI ★★	55.3	55.1	54.8
10:00AM	May Factory orders mm (%)	-0.5%	0.2%	0.7%
10:00AM	Jun ISM Services Prices	56.3	56.7	58.1
10:00AM	Jun ISM Services Employment	46.1	49.0	47.1
10:00AM	Jun ISM Biz Activity ★	49.6		61.2
10:00AM	Jun ISM N-Mfg PMI ★★	48.8	52.5	53.8
10:30AM	Jun/28 Crude Oil Inventory (ml)	-12.157M	-0.90M	3.591M
11:30AM	17-Week Bill Auction (%)	5.205%		5.220%
2:00PM	FOMC Minutes ★★			
2:00PM	Happy 4th!! ★★			
Thursday, Jul 04				
12:00AM	Happy 4th!! ★★			

Recent Housing News

- Refinance Volume Proves Brighter than Last Year
- Inventories Expand as New Home Sales Fall
- Mortgage Application Volume Not Impressed by Lower Rates

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

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