

MARKET SUMMARY

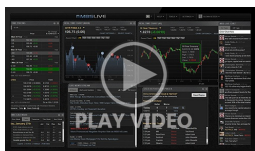
Complete Recap of Today's Market Activity

Bonds Shake Off Retail Sales Impact to End Stronger

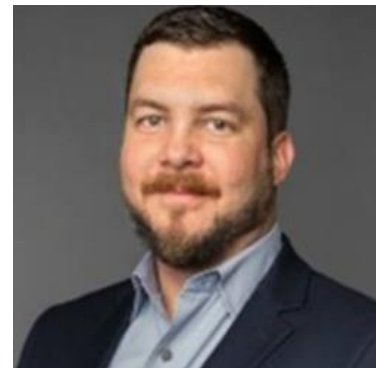
Market Summary: Wednesday, July 17, 2024 - 8:27AM

This morning's Retail Sales data may have been right in line with forecasts at the headline level, but components of the report were much stronger than expected. As such, the initial sell-off made logical sense, or at least it was able to be explained in hindsight. The rest of the trading day was consistent with 0.0% retail sales growth as bonds slowly regained all of the ground lost in the morning, ultimately hitting the day's best levels just before the 3pm close. MBS underperformed 10yr Treasuries but fared roughly the same as the short end of the yield curve (more on that in today's video).

Latest Video Analysis



Bonds Shake Off Retail Sales Impact to End Stronger



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MBS & Treasury Markets

| | | | | | | |
|----------|--------|-------|------|--------|---------|-----------------------|
| UMBS 6.0 | 101.07 | -0.03 | 10YR | 4.163% | +0.004% | 7/17/2024 12:23PM EST |
|----------|--------|-------|------|--------|---------|-----------------------|

Two Kinds of Flat

Retail Sales was/is the biggest data point of the week and it came out perfectly unchanged. This was as-expected according to some data aggregators and stronger than expected according to others. Perhaps more importantly, some of the closely watched internals were much stronger. For example, excluding autos and gas, retail sales rose 0.8% versus 0.3% last month and forecasts of 0.1%. This helps the flat headline look stronger than expected. It is also resulting in a flat morning for MBS, which marks a loss of roughly 6 ticks (19) in MBS versus opening levels. Technically, bonds are still in modestly stronger territory due to solid overnight gains. The rest of the day will be spent fighting to hold just inside positive territory and that would be a good victory in the bigger picture considering rates are at 5 months lows.

ALERT: Giving up Overnight Gains Despite As-Expected Retail Sales

ALERT: MBS at Lows, But Reprice Risk is Modest at Best

Today's Mortgage Rates

30YR Fixed 6.83% -0.01%

15YR Fixed 6.32% +0.02% 7/17/2024

Mortgage Rate Winning Streak Finally Ends, But Just Barely

When is a defeat not really a defeat? have an idea. They're fresh off an incredibly rare 8 day winning streak that took the average 30yr fixed rate to the lowest levels in 5 months AND well under the 7% mark for top tier scenarios.

Contrast all that gloriousness to today's performance which saw the average inch higher by a mere 0.03%. On any recent day before last Friday, we'd still be at 5 month lows. It would be just as fair to say rates are "holding their ground near 5 month lows" in the bigger picture.

This wasn't necessarily destined to be the case this morning. The important Retail Sales report had some underlying components that caused the bond market to move quickly toward higher yields (thus implying a bigger uptick in mortgage rates). But the losses were temporary and traders were quick to push bonds back into stronger territory.

Some mortgage lenders ended up offering mid day improvements to the morning's rate offerings. Those who didn't would likely be able to improve rates tomorrow morning IF the bond market were to hold in line with current levels overnight (never a guarantee, but always the 'all other things being equal' baseline).

Economic Calendar

Last Week

This Week

Next Week

| Time | Event | Actual | Forecast | Prior |
|--------------------------|--|--------|----------|--------|
| Wednesday, Jul 17 | | | | |
| 12:00AM | Roll Date - UMBS 15YR, Ginnie Mae 15YR | | | |
| 7:00AM | Jul/12 MBA 30-yr mortgage rate (%) | 6.87% | | 7% |
| 7:00AM | Jul/12 MBA Mortgage Applications | 3.9% | | -0.2% |
| 7:00AM | Jul/12 Mortgage Market Index | 214.1 | | 206.1 |
| 7:00AM | Jul/12 MBA Purchase Index | 140.4 | | 144.3 |
| 7:00AM | Jul/12 MBA Refi Index | 613.0 | | 532.3 |
| 8:30AM | Jun Housing starts number mm (ml) | 1.353M | 1.30M | 1.277M |
| 8:30AM | Jun Building permits: number (ml) | 1.446M | 1.40M | 1.399M |
| 8:30AM | Jun Build permits: change mm (%) | 3.4% | | -2.8% |
| 8:30AM | Jun House starts mm: change (%) | 3% | | -5.5% |
| 9:00AM | Fed Barkin Speech ☆ | | | |
| 9:15AM | Jun Capacity Utilization (%) | 78.8% | 78.4% | 78.2% |
| 9:15AM | Jun Industrial Production (%) ☆ | 0.6% | 0.3% | 0.7% |
| 9:15AM | Jun Manufacturing Production YoY | 1.1% | | -0.3% |
| 9:15AM | Jun Industrial Production YoY | 1.6% | | 0.1% |
| 9:15AM | Jun Manufacturing Production MoM | 0.4% | 0.2% | 0.6% |

| Time | Event | Actual | Forecast | Prior |
|-------------------------|--|-------------|----------|-------------|
| 9:35AM | Fed Waller Speech ☆ | | | |
| 10:30AM | Jul/12 EIA Heating Oil Stocks Change | 0.252M | | 0.356M |
| 10:30AM | Jul/12 EIA Gasoline Stocks Change | 3.328M | -1.7M | - 2.006M |
| 10:30AM | Jul/12 EIA Gasoline Production Change | -0.751M | | 0.239M |
| 10:30AM | Jul/12 EIA Distillate Stocks Change | 3.454M | -0.5M | 4.884M |
| 10:30AM | Jul/12 Crude Oil Inventory (ml) | -4.87M | 0.8M | - 3.444M |
| 10:30AM | Jul/12 EIA Cushing Crude Oil Stocks Change | - 0.875M | | - 0.702M |
| 10:30AM | Jul/12 EIA Distillate Fuel Production Change | 0.101M | | 0.022M |
| 10:30AM | Jul/12 EIA Crude Oil Imports Change | 0.312M | | 0.615M |
| 10:30AM | Jul/12 EIA Refinery Crude Runs Change | -0.181M | | 0.317M |
| 11:30AM | 17-Week Bill Auction (%) | 5.135% | | 5.195% |
| 1:00PM | 20-Yr Bond Auction (bl) ★ | 13 | | |
| 1:00PM | 20-Year Bond Auction | | | 4.452% |
| 2:00PM | Fed Beige Book | | | |
| Thursday, Jul 18 | | | | |
| 8:30AM | Jul/13 Jobless claims 4-wk avg (k) | | | 233.5K |
| 8:30AM | Jul/13 Jobless Claims (k) ☆ | | 230K | 222K |
| 8:30AM | Jul/06 Continued Claims (ml) | | 1860K | 1852K |
| 8:30AM | Jul Philly Fed Business Conditions | | | 13.8 |
| 8:30AM | Jul Philly Fed New Orders | | | -2.2 |
| 8:30AM | Jul Philly Fed Prices Paid | | | 22.5 |
| 8:30AM | Jul Philly Fed CAPEX Index | | | 12.1 |
| 8:30AM | Jul Philly Fed Employment | | | -2.5 |
| 8:30AM | Jul Philly Fed Business Index ☆ | | 2.9 | 1.3 |
| 10:00AM | Jun CB Leading Index MoM (%) | | -0.3% | -0.5% |
| 10:30AM | Jul/12 Nat gas-EIA, change bcf | | 55Bcf | 65Bcf |
| 11:30AM | 8-Week Bill Auction | | | 5.260% |
| 11:30AM | 4-Week Bill Auction | | | 5.270% |
| 12:00PM | Jul/17 15-Year Mortgage Rate | | | 6.17% |
| 12:00PM | Jul/17 30-Year Mortgage Rate | | | 6.89% |
| 1:00PM | 10-Year TIPS Auction | | | 2.184% |
| 1:00PM | 10-yr Note Auction (bl) ★ | | 19 | |
| 1:45PM | Fed Logan Speech ☆ | | | |
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| Time | Event | Actual | Forecast | Prior |
|--------|--|--------|----------|----------|
| 4:00PM | May Net Long-Term Flows, excluding swaps (TIC data) (bl) | | \$98.4B | \$123.1B |
| 4:00PM | May Overall net capital flows (TIC Data) (bl) | | | \$66.2B |
| 4:00PM | May Foreign Buying, Bonds (TIC Data) (bl) | | | \$75B |
| 4:30PM | Jul/17 Central Bank Balance Sheet | | | \$7.22T |
| 6:05PM | Fed Daly Speech ☆ | | | |
| 7:30PM | Fed Bowman Speech ☆ | | | |
| 7:45PM | Fed Bowman Speech ☆ | | | |

Recent Housing News

- Rates Continue to Depress Builders as Well as Sales
- Higher Rates Suppress Mortgage Application Volume
- Refinance Volume Proves Brighter than Last Year

Read My Latest Newsletter

Sharply Lower Inflation Brings Fed Rate Cuts Into Focus

There was a lot riding on this week's economic data and it delivered in a big way. The Consumer Price Index (CPI) has had the biggest influence on interest rates of any of the scheduled monthly economic reports, and for good reason. It is one of the two biggest and most detailed inflation reports on any given month, and it comes out about 2 weeks before the other one. That's incredibly im...

Mortgage Calculators

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