

MARKET SUMMARY

Complete Recap of Today's Market Activity

More Data Defiance. Maybe It's All About Claims?

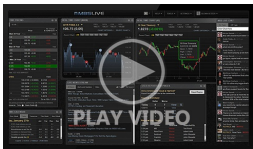
Market Summary: Wednesday, July 17, 2024 - 4:37PM

Bonds have been trending gently stronger after last week's CPI numbers, which is notable considering the headwinds presented by Tuesday's Retail Sales. Wednesday's data didn't suggest a recovery from overnight weakness, but we got one nonetheless--perhaps with some help from Fed speakers adding to the sense of a September rate cut. While the modestly bullish bias has been able to defy the data seen so far, the Fed's focus on the labor market may mean that Thursday's Jobless Claims number is a better headliner for the week than Retail Sales. After all, this is the installment that lines up with survey week for the forthcoming jobs report.

Market Movement Recap

- 09:15 AM Sideways to slightly weaker overnight with no major movement so far. MBS down 6 ticks (.19) and 10yr up 2.3bps at 4.182.
- 12:55 PM Gradually moving to best levels of the day with 10yr now unchanged and MBS nearly unchanged.
- 03:07 PM Slightly deeper into today's lowest yields with 10yr down 1.2bps at 4.147. MBS up 1 tick (.03).

Latest Video Analysis



Little-Changed, But That's a Victory



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UMBS 5.5 99.76 -0.04 | 10YR 4.158% -0.001% 7/17/2024 5:00PM EST

Uneventful Start And an Uneventful Calendar

Just because an economic calendar is full doesn't mean it's of any major importance to the bond market. Today fits the bill with the two economic headliners being Housing Starts and Industrial Production. Both have already come and gone without any reaction. The market has been more interested in trading a single comment from Fed's Waller, who said the time to cut rates is getting closer based on the most likely policy scenario. Yes, that's a bit cryptic, but he basically described 3 bowls of porridge and then said the warm one was the most likely. Bonds rallied for a moment and then went back to the prevailing trend from the overnight session.

MBS MORNING: Two Kinds of Flat

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

Today's Mortgage Rates

30YR Fixed 6.83% -0.01% | 15YR Fixed 6.32% +0.02% 7/17/2024

Mortgage Rates Holding Near 5 Month Lows

Despite an active calendar of events that had the potential to cause volatility, average managed to remain unchanged in the morning and to move slightly lower in the afternoon. Last Thursday's inflation data helped 30yr fixed rates drop to 5 month lows and there hasn't been much movement since then.

Technically, today's rates aren't quite back to Monday's levels, but the average borrower would be seeing the same note rate in either case. The only potential difference would be in terms of upfront costs and even that would be minor.

While the economic data so far this week has failed to inspire major rate movement, the forthcoming data still presents some amount uncertainty. Thursday brings weekly Jobless Claims data. This typically doesn't have a big influence, but there's heightened focus on labor market reports right now because signs of labor market weakness would further tip the scales in favor of a Fed rate cut.

The Fed is currently expected to cut rates for the first time this cycle in September. There's a very high bar for them to consider a July rate cut--almost certainly too high for any of the scheduled economic data to make a difference between now and then.

Nonetheless, the Fed Funds Rate doesn't directly dictate day to day changes in other rates. If the data increases the case for September's cut or if it strengthens the case for additional cuts after that, we could still see a favorable response in the short term. Conversely, if the data improves, rates could undergo a modest correction as they wait for the next big jobs report in early August.

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%
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	4.466%		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

Time	Event	Actual	Forecast	Prior
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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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








- Refinancing Volume Highest in Nearly Two Years
- Rates Continue to Depress Builders as Well as Sales
- Higher Rates Suppress Mortgage Application Volume

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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...

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