

MARKET SUMMARY

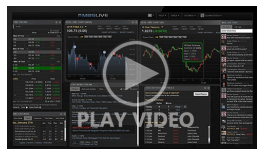
Complete Recap of Today's Market Activity

Surprisingly Strong Reaction to Equivocal Powell

Market Summary: Thursday, August 1, 2024 - 3:24AM

Opinions certainly vary as to whether today's communications from the Fed and Fed Chair Powell were **dovish** or **hawkish**, so let's focus on facts. The changes in the statement itself were bond-friendly but not enough for bonds to rally. In fact, there was modest selling until Powell began answering questions. Powell himself said a September rate cut was one possible scenario assuming the data remains consistent with recent progress toward goals. He was very clear, however, to say that no decisions have been made. A strong case can be made that today's rally isn't exclusively on Powell. Geopolitical headlines and month-end trading definitely had an impact. Still, history will remember that Powell did everything he could do to leave the door open for a September cut, short of promising that it would happen.

Latest Video Analysis



Surprisingly Strong Reaction to Equivocal Powell



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MBS & Treasury Markets

UMBS 5.5 100.08 -0.11 | 10YR 4.056% +0.025% 8/1/2024 3:23AM EST

Back to Strongest Levels as Powell Evades Commitment

Fed Chair Powell is going decisively out of his way to avoid making any commitments about the timing of the next rate cut. At the same time, his cryptic answers are being interpreted by the market as suggesting a fairly logical reaction function with respect to the next 2 CPI reports. In other words, if they're OK, the Fed is cutting, even though Powell hasn't directly said that.

This is all the market really needed to take away from today's Fed events and it wasn't perfectly possible after the announcement came out at 2pm.

The clarification has been worth a return to the best levels of the day with MBS up 5 ticks (.16). 10yr yields aren't quite back to their best levels, but well off the highs--down 3.2bps at 4.103.

UPDATE: First Move is Modestly Weaker After Fed

COMMENTARY: Old vs New Fed Statement With Changes Highlighted

Today's Mortgage Rates

30YR Fixed 6.70% -0.10%

15YR Fixed 6.27% -0.03%

7/31/2024

Rates Drop to Another Long-Term Low After Fed Announcement

The Fed didn't cut rates today and rates then moved quickly lower. Naturally, there's more to the story than that, but the paradox is a good reminder that the market reacts in real time to things that won't happen for months.

Specifically, the Fed's next meeting isn't until September, but a good amount of today's rate drop can be tied to expectations for future rate cuts. In fact, it's really the meetings beyond September that mattered more today (Sept itself was already seen as a near certainty).

What drove the shift in sentiment? It's not necessarily the case that sentiment shifted in a major way. Investors may simply have been cautious about the Fed pushing back on the exuberant certainty surrounding the rate cut outlook for the rest of the year.

Fed Chair Powell absolutely knew the market was pricing in a 100% chance of a rate cut in September and while he certainly stopped well short of saying it was flat-out "likely," he did nothing to push back on those expectations.

There were other market movers in play in the afternoon as well. These included geopolitical headlines and the typical elevated trading activity associated with the final day of any given month. That month-end trading environment has often resulted in volatility with no other justification beyond the calendar.

Either way, it was one of the stronger days of the year for bonds, thus allowing mortgage lenders to drop rates by a larger than normal amount. Not every lender will be reflecting the improvement until and unless the market maintains the gains through tomorrow morning.

Economic Calendar

Last Week

This Week

Next Week

Time	Event	Actual	Forecast	Prior
Thursday, Aug 01				
7:30AM	Jul Challenger layoffs (k)			48.786K
8:30AM	Jul/27 Jobless claims 4-wk avg (k)			235.5K
8:30AM	Jul/20 Continued Claims (ml)		1860K	1851K
8:30AM	Jul/27 Jobless Claims (k) ☆		236K	235K
8:30AM	Q2 Unit Labour Costs QoQ Final		1.8%	4%
8:30AM	Q2 Nonfarm Productivity QoQ Final		1.7%	0.2%
9:45AM	Jul S&P Global Manuf. PMI ☆		49.5	51.6
10:00AM	Jul ISM Manufacturing Employment		49	49.3
10:00AM	Jul ISM Manufacturing New Orders			49.3
10:00AM	Jul ISM Mfg Prices Paid ★		51.8	52.1
10:00AM	Jun Construction spending (%)		0.2%	-0.1%
10:00AM	Jul ISM Manufacturing PMI ★★		48.8	48.5
10:30AM	Jul/26 Nat gas-EIA, change bcf		31Bcf	22Bcf
11:30AM	4-Week Bill Auction			5.285%
11:30AM	8-Week Bill Auction			5.260%
12:00PM	Jul/31 30-Year Mortgage Rate			6.78%
12:00PM	Jul/31 15-Year Mortgage Rate			6.07%
4:30PM	Jul/31 Central Bank Balance Sheet			\$7.20T
Friday, Aug 02				
8:30AM	Jul Average workweek hrs (hr)		34.3	34.3
8:30AM	Jul Average earnings mm (%) ★		0.3%	0.3%
8:30AM	Jul Manufacturing payrolls (k)		-1K	-8K
8:30AM	Average Hourly Earnings YoY		3.7%	3.9%
8:30AM	Jul Non Farm Payrolls ★★		175K	206K
8:30AM	Jul Private Payrolls (k)		148K	136K
8:30AM	Jul Participation Rate ☆			62.6%
8:30AM	Jul Government Payrolls			70K
8:30AM	U-6 Unemployment Rate			7.4%
8:30AM	Jul Unemployment rate mm (%) ★★		4.1%	4.1%
10:00AM	Jul Total Vehicle Sales (ml)			15.3M
10:00AM	Jun Factory orders mm (%)		-2.9%	-0.5%
10:00AM	Jun Factory ex-transp mm (%)			-0.7%
1:00PM	Aug/02 Baker Hughes Oil Rig Count			482
1:00PM	Aug/02 Baker Hughes Total Rig Count			589

Recent Housing News








- June Pending Home Sales Benefit From Inventory Growth
- Mortgage Apps and Rates Stall, Making Borrowers Hesitate
- New Home Sales Post Small Decline

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Inflation Data Continues Paving The Way For (Eventual) Rate Cuts

This week's most important economic data was the PCE price index which is the gold standard of big picture inflation measurement. For those hoping to see rates drop, it was important for PCE to confirm the progress seen in the CPI data (the other major inflation index that came out 2 weeks ago). Spoiler alert: PCE confirmed the progress, but there are a few nuances. Perhaps most ...

Mortgage Calculators

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-  Should I Refinance?
-  Rent vs. Buy
-  Blended Rate