

MARKET SUMMARY

Complete Recap of Today's Market Activity

Wild Ride on Jobs Day as Fed Speakers Steal The Show

Market Summary: Sunday, September 8, 2024 - 3:14AM

We came into jobs report day expecting some clarity on the size of the Fed's impending rate cut and in hindsight, it's abundantly clear that traders felt the same way. The only catch is that the lion's share of the clarity was reserved for a few short comments from Fed's Chris Waller. The market initially mistook those comments to suggest a 50bp cut, but swiftly reconsidered. In terms of Fed Funds Futures, the volume and volatility surrounding Waller's comments were FAR bigger than the action surrounding the jobs report earlier in the morning. Ultimately, it was a good enough day for rates with bonds holding modest gains.



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Latest Video Analysis



Wild Ride on Jobs Day as Fed Speakers Steal The Show

MBS & Treasury Markets

UMBS 5.0	100.13	+0.17	10YR	3.710%	-0.019%	9/6/2024 5:00PM EST
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Lenders Could Reprice in EITHER Direction

Here's one of those rare moments where markets have been volatile enough that the slower lenders could be moving one way while the jumpier lenders make the opposite move.

In the current case, we've seen a mini-flood of positive reprices thanks to the gains heading into the 11am hour. MBS are still up 6 ticks (.19) on the day and up nearly a quarter point from the lows seen just after 10am.

On the other hand, MBS are also down roughly a quarter point from the most recent highs. Lenders who repriced for the better just after those highs (around 11am) are already forced to consider pulling back. It's not necessarily likely for most of them, but it is a possibility.

10yr yields are up 1.2bps on the day at 3.717 after hitting intraday lows of 3.646.

MBS MORNING: Jobs Report Does Nothing to Resolve Fed Rate Cut Debate

UPDATE: Reversal Reversing (Bonds Turning Green)

Today's Mortgage Rates

30YR Fixed 6.27% -0.08%

15YR Fixed 5.65% -0.20%

9/6/2024

Mortgage Rates Drop to Lowest Levels Since April 2023

have a long and storied history of making big moves on the day that the big monthly jobs report comes out. In that regard, today was fairly normal. Indeed, the jobs report came out and mortgage rates made their biggest move of the week, dropping to the lowest levels since April 2023.

The biggest catch in today's case was the fact that much of the market movement came in response to comments from several Fed officials who weighed in on the prospects for the rate cut in a week and a half. Granted, the jobs report influenced those comments, but they were ultimately reduced to votes for a 0.25% vs a 0.50% rate cut (the Fed is cutting either way).

To be fair, the Fed comments had a bigger impact on parts of the market that don't directly correlate with mortgage rates. That was a victory for us today. Rates would have been higher otherwise.

If this seems slightly confusing, it's important to remember that the Fed Funds Rate does not move hand in hand with mortgage rates. Mortgage rates move well in advance of the Fed because mortgage rates are tied to the real-time bond market whereas the Fed only updates rates 8 times per year. Moreover, the Fed Funds Rate applies to the shortest time frames (<24 hours) whereas the average mortgage lasts around 5 years.

The takeaway is that you should NOT expect mortgage rates to improve after the Fed cuts rates. Mortgage rates have ALREADY improved in anticipation of the rate cut.

Time	Event	Actual	Forecast	Prior
Friday, Sep 06				
8:30AM	Average Hourly Earnings YoY	3.8%	3.7%	3.6%
8:30AM	Aug Average earnings mm (%) ★	0.4%	0.3%	0.2%
8:30AM	Aug Average workweek hrs (hr)	34.3	34.3	34.2
8:30AM	Aug Manufacturing payrolls (k)	-24K	0K	1K
8:30AM	Aug Participation Rate ☆	62.7%		62.7%
8:30AM	Aug Government Payrolls	24K		17K
8:30AM	U-6 Unemployment Rate	7.9%		7.8%
8:30AM	Aug Unemployment rate mm (%) ★★	4.2%	4.2%	4.3%
8:30AM	Aug Private Payrolls (k)	118K	139K	97K
8:30AM	Aug Non Farm Payrolls ★★	142K	160K	114K
8:45AM	Fed Williams Speech ☆			
11:00AM	Fed Waller Speech ☆			
1:00PM	Sep/06 Baker Hughes Total Rig Count	582		583
1:00PM	Sep/06 Baker Hughes Oil Rig Count	483		483
Monday, Sep 09				
9:00AM	Aug Used Car Prices MoM			2.8%
9:00AM	Aug Used Car Prices YoY			-4.8%
10:00AM	Aug Total Vehicle Sales (ml)		15.4M	15.8M
10:00AM	Jul Wholesale inventories mm (%) ☆		0.3%	0.1%
10:30AM	NY Fed Treasury Purchases 2.25 to 4.5 yrs (%)		\$80 million	
11:00AM	Aug Consumer Inflation Expectations ☆			3%
11:30AM	26-Week Bill Auction (bl)	76		
11:30AM	6-Month Bill Auction			4.645%
11:30AM	3-Month Bill Auction			4.970%
11:30AM	26-Week Bill Auction (bl)		70	
3:00PM	Jul Consumer credit (bl)		\$12.2B	\$8.93B








Recent Housing News

- Purchase Applications Respond to Another Small Rate Dip
- Pending Home Sales Set a New Record, but not in a Good Way
- Mortgage Apps Stall as Borrowers Seem to be Waiting on Fed

Why You Might Regret Waiting For Better Rates After The Fed Cuts

This week's labor market data and Fed speeches solidified the case for the Fed to cut rates by at least 0.25% when it meets in 2 weeks. With more and more buzz surrounding that rate cut, it's only natural for consumers to enthusiastically wait for the lower mortgage rates that are sure to follow. All too often, those who wait are surprised to learn that the only rate that's guaranteed to mov...

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