

MARKET SUMMARY

Complete Recap of Today's Market Activity

More Resilient Today, But It's Still All About Data

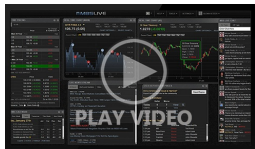
Market Summary: Thursday, September 26, 2024 - 6:14PM

The bond market is still searching for its identity in the wake of last week's Fed announcement. Monday and Tuesday saw relatively big volatility in the morning with calmer, stronger afternoons--something that fueled hopes that the post-Fed correction was over. Wednesday saw overnight losses with more weakness throughout the day, thus suggesting the post-Fed correction could still be alive. Thursday had a bit of everything: gains overnight, early losses and a decent afternoon recovery. The only constant has been the ability of relevant econ data to set the trading tone.

Market Movement Recap

- 09:39 AM Stronger overnight, weaker after data and now back near unchanged.
- 10:28 AM Back to weakest levels now. 10yr up 2.5bps at 3.81 and MBS down an eighth.
- 01:31 PM modest friendly bounce just before and after the 7yr auction (not necessarily because of it). 10yr up 1.2bps at 3.797 and MBS unchanged.
- 04:12 PM No major changes since the last update. MBS down 1 tick (0.03) and 10yr up 1bp at 3.794

Latest Video Analysis



More Resilient Today, But It's Still All About Data



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MBS & Treasury Markets

UMBS 5.0	100.00	-0.01	10YR	3.796%	+0.012%	9/26/2024 5:00PM EST
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Stronger Data Saps Overnight Gains

At the risk of tempting fate by discussing a leveling-off of the post-Fed correction again, the overnight session saw the most compelling case yet for the correction having run its course. The evidence didn't have as much to do with the outright level of gains in longer term yields as it did with the shape of yield curve trading over the past 2 days. During that time, the curve hit a ceiling and held flat for the longest period of time post-Fed-meeting.

The improvement in yields was a bonus, but it was quickly counteracted by a stronger round of 8:30am econ data.

Last but not least, it's important not to assume that the yield curve movement will mean one specific thing for longer term rates going forward. The curve can widen/rise even as rates are coming down--something that it has done quite a bit over the past few months. Either way, the evolution of the following chart would look least surprising if it continues to widen.

ALERT: MBS Down to New Lows

ALERT: Losing Overnight Gains After Stronger Claims Data

Today's Mortgage Rates

30YR Fixed	6.21%	+0.02%	15YR Fixed	5.58%	+0.03%	9/26/2024
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Mortgage Rates Are 110% NOT Lower This Week

Because we created the industry's first daily mortgage rate index based on actual lender rate sheets without any subjective distortions, and because the longest-standing mortgage rate index in the U.S. is a once-a-week survey with plenty subjective distortions and some quirky methodology, we often find ourselves pointing out what's "real" on many Thursday afternoons (the weekly survey comes out on Thursdays).

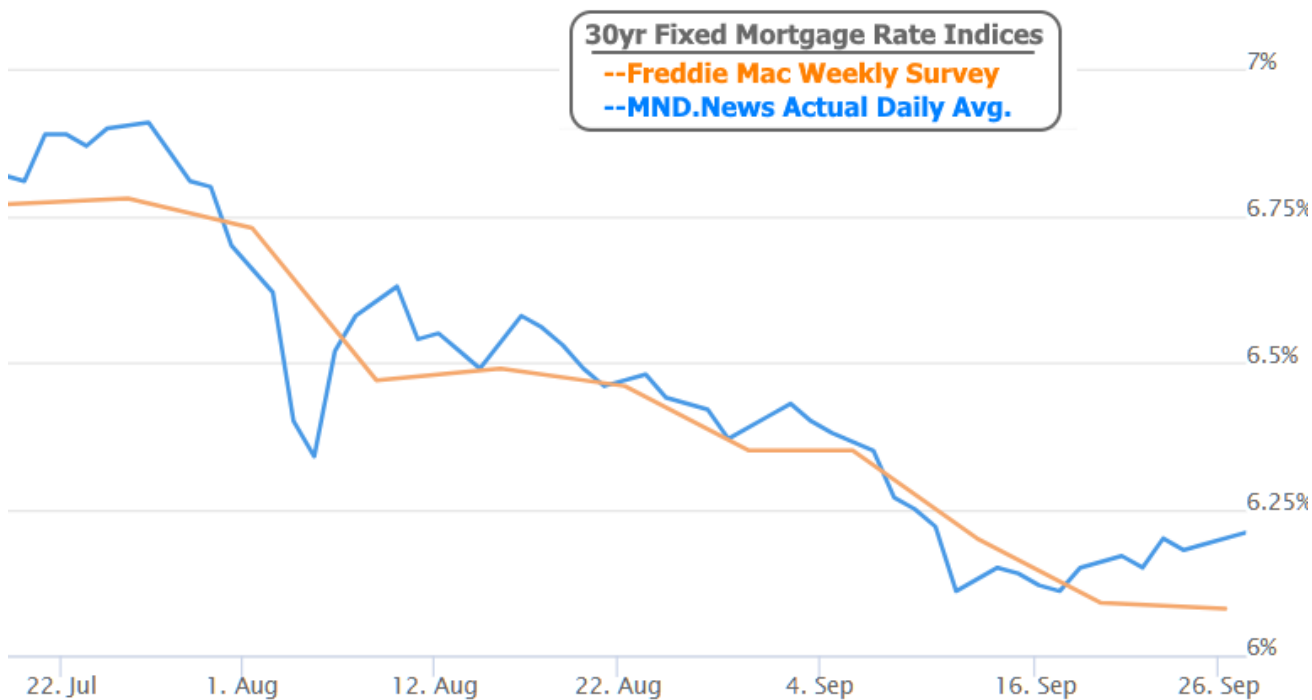
In virtually every case we can remember, there have been quantifiable reasons for periodic discrepancies. Today may be the first (and certainly the most striking) example of Freddie Mac's weekly survey data simply not making any sense.

Reason being: Freddie logged a DECREASE in rates this week. Before proceeding, we should be clear what that means in the scope of Freddie's methodology. A "week," in this case, refers to the 5 days starting each Thursday and ending each Wednesday. As such, if today's index is lower than last Thursday's, it means that the average rate between September 19th and 25th was lower than the average rate between September 12th through 18th.

Therein lies the problem. Rates were quantifiably, clearly, and incontrovertibly higher--even if not significantly so. Normally, when we apply Freddie's same methodology to our own daily rate tracking, we can at least reconcile any directional discrepancies. We're not so worried about outright levels matching up because outright levels are not that important for mortgage rate indices (the CHANGE is important).

Here's what happens this time around when we apply the weekly methodology:

9/25/2024	6.19
9/24/2024	6.18
9/23/2024	6.2
9/20/2024	6.15
9/19/2024	6.17
THIS WEEK'S AVERAGE	6.178
9/18/2024	6.15
9/17/2024	6.11
9/16/2024	6.12
9/13/2024	6.14
9/12/2024	6.15
LAST WEEK'S AVERAGE	6.134



Granted, with Freddie only dropping 0.01% and our daily data suggesting an increase of just over 0.04%, you may well conclude that such a discrepancy is small enough to ignore. In some ways, that's true, but there are a few reasons it's problematic.

First off, there's no valid reason that Freddie's weekly survey and our copy of that methodology should move in opposite directions when this week's lowest rate matches last week's highest rate.

Additionally, Freddie's survey doesn't include today's rates, and those were a bit higher still.

Most importantly, on a less technical note, there's a real world impact from widespread news headlines and media coverage espousing a drop to "the lowest in 2 years." Mortgage borrowers who mistakenly waited for the Fed rate cut to help mortgage rates may now be calling their loan officers saying "I see mortgage rates are now even lower, etc." when in fact the day before the Fed meeting saw the lowest rates in more than a year and a half.

Thankfully, rates are still very close to those long term lows, but they're definitely a bit higher than they were last week, both

before and after the Fed announcement.

Economic Calendar

Last Week

This Week

Next Week

Time	Event	Actual	Forecast	Prior
Thursday, Sep 26				
8:30AM	Aug Durables ex-defense mm (%)	-0.2%		10.4%
8:30AM	Aug Durable goods (%) ☆	0.0%	-2.6%	9.9%
8:30AM	Aug Durables ex-transport (%)	0.5%	0.1%	-0.2%
8:30AM	Q2 Core PCE Prices QoQ Final ☆	2.8%	2.8%	3.7%
8:30AM	Q2 Corporate profits (%)	3.5%	1.7%	-2.7%
8:30AM	Sep/14 Continued Claims (ml)	1834K		1829K
8:30AM	Q2 GDP (%) ★	3%	3%	1.4%
8:30AM	Q2 GDP deflator (%)	2.5%	2.5%	3.1%
8:30AM	Q2 GDP Final Sales (%)	1.9%	2.2%	1.8%
8:30AM	Q2 PCE Prices QoQ Final	2.5%	2.5%	3.4%
8:30AM	Q2 Real Consumer Spending QoQ Final	2.8%	2.9%	1.5%
8:30AM	Sep/21 Jobless claims 4-wk avg (k)	224.75K		227.5K
8:30AM	Sep/21 Jobless Claims (k) ★	218K	225K	219K
8:30AM	Aug Core CapEx (%) ☆	0.2%	0%	-0.1%
9:10AM	Fed Collins Speech ☆			
9:10AM	Fed Kugler Speech ☆			
9:20AM	Fed Chair Powell Speech ★★			
9:25AM	Fed Williams Speech ☆			
10:00AM	Aug Pending Home Sales YoY	-3%		-8.5%
10:00AM	Aug Pending Home Sales (%) ☆	0.6%	0.3%	-5.5%
10:30AM	Sep/20 Nat gas-EIA, change bcf	47Bcf	52Bcf	58Bcf
10:30AM	Fed Barr Speech ☆			
11:00AM	Sep Kansas Fed Composite Index	-8		-3
11:00AM	Sep KC Fed manufacturing	-18	9	6
11:15AM	Treasury Secretary Yellen Speech			
11:30AM	8-Week Bill Auction	4.650%		4.690%
11:30AM	4-Week Bill Auction	4.7%		4.7%
12:00PM	Sep/25 15-Year Mortgage Rate	5.16%		5.15%
12:00PM	Sep/25 30-Year Mortgage Rate	6.08%		6.09%
1:00PM	7-Year Note Auction	3.668%		3.77%
1:00PM	Fed Kahkari Speech ☆			

Time	Event	Actual	Forecast	Prior
1:00PM	7-Yr Note Auction (bl) ★	44		
4:30PM	Sep/25 Central Bank Balance Sheet	\$7.08T		\$7.10T
Friday, Sep 27				
8:30AM	Aug Core PCE Inflation (y/y) (%) ★		2.7%	2.6%
8:30AM	Aug Goods Trade Balance Adv		\$-99.4B	\$-102.66B
8:30AM	Aug Personal Income (%)		0.4%	0.3%
8:30AM	Aug PCE (y/y) (%)		2.3%	2.5%
8:30AM	Aug Inflation-Adjusted Spending (Consumption) (%)		0.3%	0.5%
8:30AM	Aug PCE price index mm (%)		0.1%	0.2%
8:30AM	Aug Core PCE (m/m) (%) ★★		0.2%	0.2%
8:30AM	Aug Wholesale inventories mm (%) ☆		0.2%	0.2%
8:30AM	Aug Retail Inventories Ex Autos MoM Adv			0.5%
10:00AM	Sep Sentiment: 5y Inflation (%) ☆		3.1%	3%
10:00AM	Sep Michigan Consumer Expectations Final		73.0	72.1
10:00AM	Sep Sentiment: 1y Inflation (%) ☆		2.7%	2.8%
10:00AM	Sep Consumer Sentiment (ip) ☆		69.3	67.9
10:00AM	Sep U Mich conditions ☆		62.9	61.3
1:00PM	Sep/27 Baker Hughes Oil Rig Count			488
1:00PM	Sep/27 Baker Hughes Total Rig Count			588

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

Read My Latest Newsletter

Why The Fed Rate Cut Didn't Help Mortgage Rates This Week

This week's newsletter will be intentionally short in hopes of it being easier to share, read, and digest. It will offer several strategies for understanding the paradoxical disconnect between the Fed Funds Rate and mortgage rates. For those interested in a deeper dive, the past 3 newsletters thoroughly covered it in detail: Why Fed Day Matters Even Though Mortgage Rates Are Already Lowe...

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