

MARKET SUMMARY

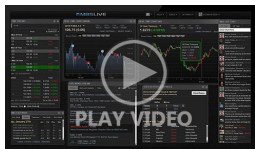
Complete Recap of Today's Market Activity

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

Market Summary: Friday, September 27, 2024 - 3:29AM

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.

Latest Video Analysis



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



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MBS & Treasury Markets

UMBS 5.0	100.10	+0.10	10YR	3.773%	-0.023%	9/27/2024 3:28AM 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

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).

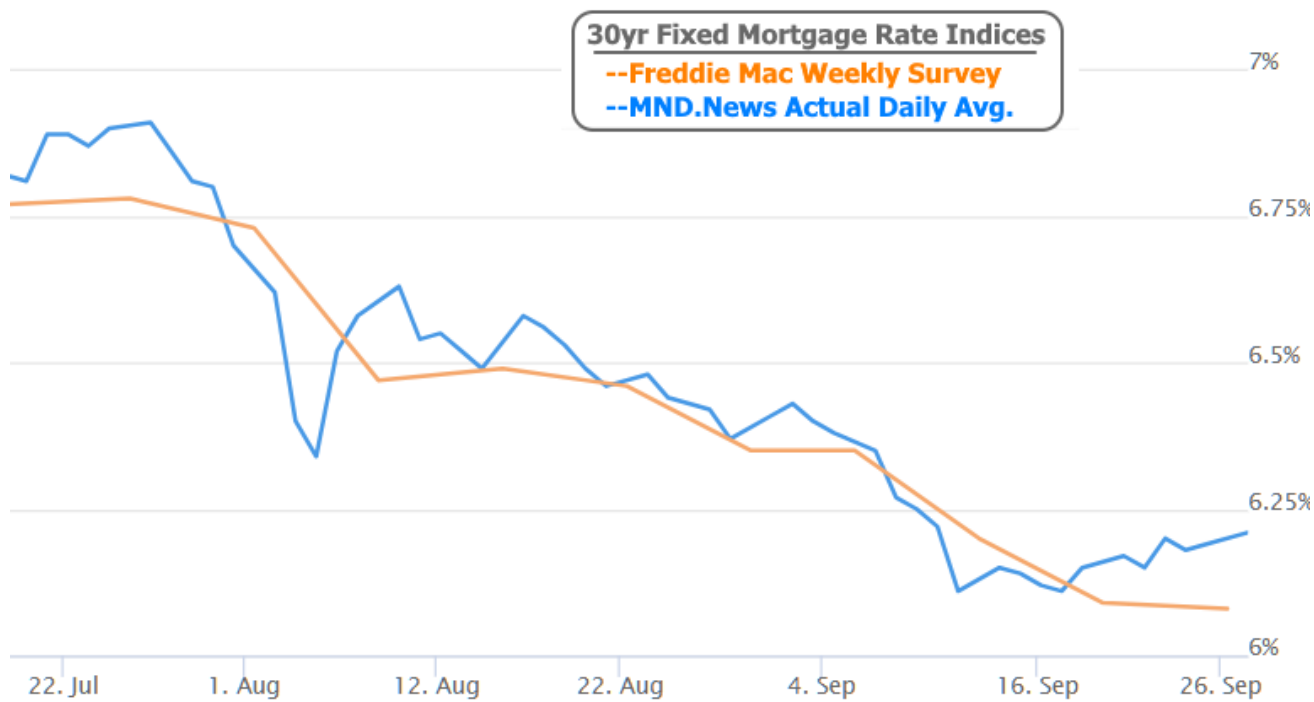
In virtually every case we can remember, there have been quantifiable reasons for periodic discrepancies. Today may be the first (and certainly the most striking) example of Freddie Mac's weekly survey data simply not making any sense.

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.

Time	Event	Actual	Forecast	Prior
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
Monday, Sep 30				
9:45AM	Sep Chicago PMI ★			46.1
10:30AM	Sep Dallas Fed Manufacturing Index			-9.7
11:30AM	26-Week Bill Auction (bl)	79		
11:30AM	3-Month Bill Auction			4.540%
11:30AM	6-Month Bill Auction			4.270%
11:30AM	26-Week Bill Auction (bl)		72	
12:00PM	Sep Quarterly Grain Stocks - Corn			4.993B
12:00PM	Sep Quarterly Grain Stocks - Soy			0.969B
12:00PM	Sep Quarterly Grain Stocks - Wheat			0.702B
1:00PM	Fed Chair Powell Speech ★★★			
1:00PM	Fed Chair Powell Speech ★★★			








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 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...

Mortgage Calculators

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