

MARKET SUMMARY

Complete Recap of Today's Market Activity

Bonds Undergoing a Bit of a Reset

Market Summary: Tuesday, October 8, 2024 - 10:19AM

3 weeks ago, the Fed voted to cut rates by 0.50%. Traders had rushed to get in position for that, so a small "reset" followed as the market waited for the most important vote. The vote in question was on whether or not the market was ahead of itself in mid September and it was cast by last Friday's jobs report. When marquis reports coincide with big changes in Fed policy, and when Fed policy changes had a lot to do with the past two examples of the marquis report in question, and when the marquis report not only offers a completely different message from the past two, but also revises the past two in a way that casts doubt on the extent of the Fed's decision, you get exactly what we've seen since Friday morning. It's a firm rejection of mid-September's rates and a wake-up call that rates can still move higher, but not the same sort of watershed moment seen in 2013 before the taper tantrum. Barring unforeseen exogenous shocks, we'll now need another weak jobs report (or two or three) before re-challenging the mid-September floor.

Market Movement Recap

10:11 AM slightly weaker overnight with additional losses into 10am and modest bounce since then. MBS down 3 ticks (.09) and 10yre up 1bp at 4.04

Latest Video Analysis



Bonds Are Undergoing a Reset



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UMBS 5.0	98.91	+0.00	10YR	4.029%	-0.001%	10/8/2024 2:19PM EST
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More Pain. Fewer Surprises

Here's a repeat of the lock/float considerations posted on Friday after the jobs report: "Friday's strong jobs report and resulting bond market rout change the calculus for rate expectations until further notice. Traders now need new data to reinvigorate the case for an economy that's weakening enough to support the Fed's expected case of rate cuts. As big as Friday's sell-off was, it still makes sense to view it as the start of a trend toward higher rates until the market proves otherwise."

Big reactions to NFP--especially those that follow a consolidation period--often lead to momentum that remains intact for days if not weeks. The only potential saving grace here is that we already had a bit of negative momentum heading into last Friday. Even so, it makes more sense to plan for it to continue until data speaks up in favor of a reversal. If we're simply waiting for traders to be tired of selling, that conversation doesn't really start until 10yr yields are closer to 4.15%.

Why 4.15%? That's where the bond market was before the recent bout of labor market concern ramped up in early August. Recall that the early August rally was only as sharp as it was due to the Yen carry trade craziness and that subsequent trading settled in on a range of 3.8 to 4.0. And that was AFTER a very downbeat jobs report. Now we have a very upbeat jobs report (and one that incidentally provided a big upward revision of that very downbeat report released in early August). The fact that 10yr yields are "only" up around 4% is fairly gentle, all things considered. 4.15% would be the first point at which we'd start to wonder if we'd seen enough negative momentum for some old fashioned "technical support."

ALERT: Negative Reprices Are Possible For Some Lenders

MBS MORNING: Huge Beat in Jobs Report; Bonds Reeling

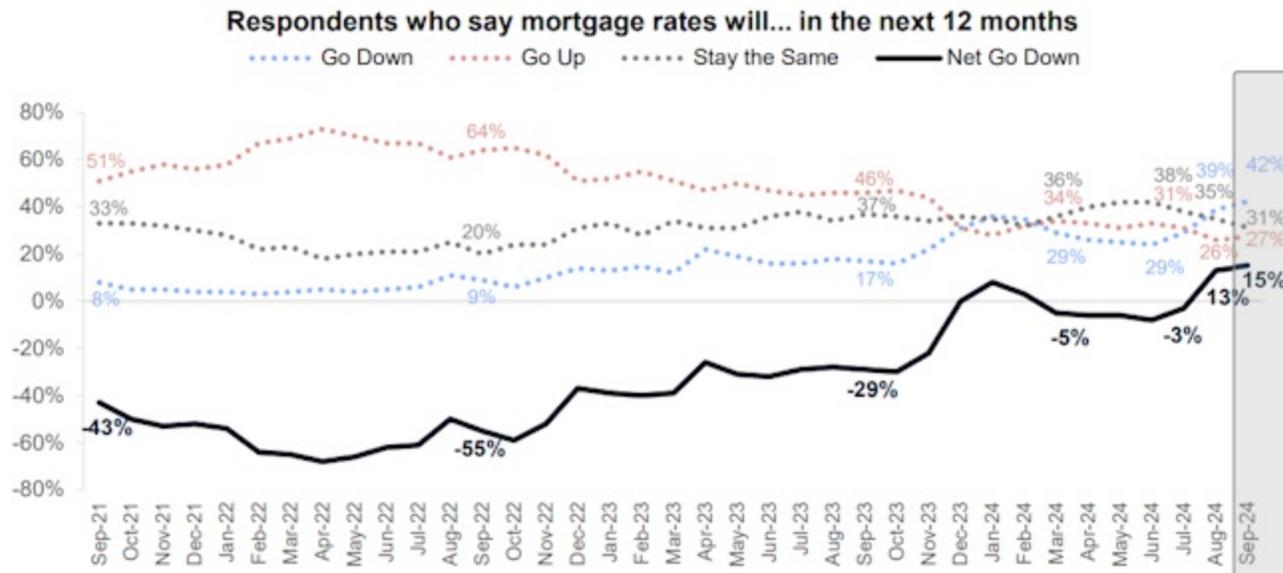
Today's Mortgage Rates

30YR Fixed 6.62% +0.00%

15YR Fixed 6.15% +0.03% 10/8/2024

Highest Mortgage Rates in 2 Months

It's been a strange and frustrating couple of weeks for anyone who mistakenly believed that would move lower after the Fed rate cut. To be sure, there is plenty of that sentiment out there according to the just released Fannie Mae sentiment survey showing the highest net percentage of respondents who thought rates would go down since the survey began in 2021.



To be fair, the survey asks about a 12 month time frame and a lot can happen in 12 months. As for the 3 weeks since the Fed rate cut, however, things have not been great. Today's rate movement added insult to Friday's injury with the market still working through the momentum created by Friday's stronger jobs report.

Given the motivations for the rate spike and the available economic data, it's unlikely that rates will move quickly back down to the levels seen in mid September. They'd need a lot of downbeat economic data to do so. Even then, traders would still be waiting to see what the next jobs report had to say before getting too carried away.

Meanwhile, there's some risk of additional weakness in rates if the economic data is more resilient than expected. The average lender is already back up to levels last seen in early August.

Bottom line, markets got locked into the belief that data would slowly deteriorate (with a lot of weight being given to the last few jobs reports) only to see the most recent jobs report say "not so fast!" There's a bit of a re-set happening at the moment. We can't know exactly how big it will be until we get through more econ data. Unfortunately, this week is much lighter than last week in that regard.

Economic Calendar

Last Week | This Week | Next Week

Time	Event	Actual	Forecast	Prior
Tuesday, Oct 08				
3:00AM	Fed Kugler Speech ☆			

Time	Event	Actual	Forecast	Prior
6:00AM	Sep NFIB Business Optimism Index	91.5	91.7	91.2
8:30AM	Aug Imports	\$342.2B		\$345.4B
8:30AM	Aug Exports	\$271.8B		\$266.5B
8:30AM	Aug Trade Gap (bl)	\$-70.4B	\$-70.6B	\$-78.8B
8:55AM	Oct/05 Redbook yy (%)	5.4%		5.3%
10:10AM	Oct IBD economic optimism	46.9	47.2	46.1
11:30AM	26-Week Bill Auction (bl)	80		
11:30AM	42-Day Bill Auction (%)	4.720%		4.410%
12:45PM	Fed Bostic Speech ☆			
1:00PM	3-Year Note Auction	3.878%		3.440%
1:00PM	3-Yr Note Auction (bl)	58		
4:00PM	Fed Collins Speech ☆			
4:30PM	Oct/04 API weekly crude stocks (ml)		1.95M	-1.5M
7:30PM	Fed Jefferson Speech ☆			
Wednesday, Oct 09				
7:00AM	Oct/04 MBA 30-yr mortgage rate (%)			6.14%
7:00AM	Oct/04 MBA Mortgage Applications			-1.3%
7:00AM	Oct/04 MBA Purchase Index			149.3
7:00AM	Oct/04 MBA Refi Index			1099.5
7:00AM	Oct/04 Mortgage Market Index			292.3
9:15AM	Fed Logan Speech ☆			
10:00AM	Aug Wholesale inventories mm (%) ☆		0.2%	0.3%
10:30AM	Oct/04 EIA Refinery Crude Runs Change			-0.662M
10:30AM	Oct/04 EIA Heating Oil Stocks Change			-0.277M
10:30AM	Oct/04 EIA Gasoline Stocks Change		-1.5M	1.119M
10:30AM	Oct/04 EIA Gasoline Production Change			-0.235M
10:30AM	Oct/04 EIA Distillate Stocks Change		-2.3M	-1.284M
10:30AM	Oct/04 Crude Oil Inventory (ml)		1.9M	3.889M
10:30AM	Oct/04 EIA Distillate Fuel Production Change			-0.104M
10:30AM	Oct/04 EIA Cushing Crude Oil Stocks Change			0.84M
10:30AM	Oct/04 EIA Crude Oil Imports Change			0.191M
10:30AM	Fed Goolsbee Speech ☆			
10:30AM	Fed Barkin Speech ☆			
10:45AM	Fed Logan Speech ☆			
11:00AM	Fed Williams Speech ☆			
11:30AM	17-Week Bill Auction (%)			4.410%

Time	Event	Actual	Forecast	Prior
12:15PM	Fed Barkin Speech ☆			
12:30PM	Fed Jefferson Speech ☆			
1:00PM	10-yr Note Auction (bl) ★	39		
1:00PM	10-Year Note Auction ★			3.648%
2:00PM	FOMC Minutes ★★			
5:00PM	Fed Collins Speech ☆			
6:00PM	Fed Daly 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

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Huge Rate Bounce After Stunningly Strong Jobs Report

There was a lot riding on Friday's big jobs report with a weak result likely to reinvigorate a move to long-term lows and a strong result likely to push rates higher. It ended up being VERY strong, thus pushing rates higher VERY quickly. The following chart shows the day over day change in the 30yr fixed rate index from Mortgage News Daily: The worst day in April was just a bit more abr...

Mortgage Calculators

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