

MARKET SUMMARY

Complete Recap of Today's Market Activity

Stronger Start, Weaker Finish

Market Summary: Monday, October 28, 2024 - 2:30AM

Bonds had a fine morning with overnight gains bringing yields in line with the lowest levels of the past few days within the first 2 hours of domestic trading. From the 9:30am NYSE open on, bonds began moving in the other direction. There were no individual, new catalysts for the weakness, and more importantly, it wasn't even a level of weakness that matters in the bigger picture. Rather, this is the reality for the next few weeks in addition to being the occasional reality on any Friday afternoon after 3pm ET (due to the CME close). Looking back on the week, the only move that mattered was the sell-off into Wednesday morning. After that, the unwillingness on the part of 10yr yields to move back below 4.20 means they've been sideways ever since. It's unpleasant in the moment, but this is nothing compared to what we could see in the coming weeks.

Latest Video Analysis



Stronger Start, Weaker Finish

MBS & Treasury Markets

UMBS 5.5	99.19	-0.05	10YR	4.260%	+0.018%	10/28/2024 6:30AM EST
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Negative Reprices Becoming Increasingly Likely

MBS are now down 5 ticks (.16) on the day and 10 ticks (.31) from AM highs. Lenders who have not yet repriced for the worse are increasingly likely to be considering it.

10yr yields are up 3bps at 4.243. There is no catalyst for this move other than pre-weekend position-squaring and the absence of any tailwind from European trading.

ALERT: Additional Negative Reprice Risk

ALERT: MBS At Lows



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Today's Mortgage Rates

30YR Fixed	6.90%	-0.01%	15YR Fixed	6.37%	-0.01%	10/25/2024
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Mortgage Rates Effectively Unchanged Yet Again

reached their highest level of the week on Wednesday and haven't really moved since then. Technically each subsequent day saw a microscopic reduction in the average top tier 30yr fixed rate, but the average borrower would likely be seeing the same quote all three days.

This flat trajectory contrasts sharply with the first two days of the week. At the time, Monday and Tuesday were cause for concern as there were no obvious catalysts for that level of movement. These past 3 days suggest rates are content to wait for the next big motivation from current levels, hopefully.

Why "hopefully?" Because there's never any way to ensure the future will behave as the present suggests when it comes to financial markets. So what can we know? There are a few things.

We know that rates moved a lot higher over the past 4 weeks than the average media coverage suggests. Mainstream weekly surveys only show a spike of about 0.40%. The actual spike in daily average rates was over 0.70%.

We also know that next week's jobs report (on Friday) is a huge source of potential volatility, for better or worse. After that, the election and the Fed announcement can have a major impact the following week.

Economic Calendar

Last Week | This Week | Next Week

Time	Event	Actual	Forecast	Prior
Monday, Oct 28				
10:30AM	Oct Dallas Fed Manufacturing Index			-9
11:30AM	6-Month Bill Auction			4.310%
11:30AM	2-Year Note Auction			3.520%
11:30AM	3-Month Bill Auction			4.510%
11:30AM	2-Yr Note Auction (bl)		69	
11:30AM	26-Week Bill Auction (bl)		72	
1:00PM	26-Week Bill Auction (bl)	81		
1:00PM	5-Year Note Auction			3.519%
1:00PM	5-Yr Note Auction (bl) ★		70	
3:00PM	Treasury Refunding Financing Estimates (%)			
Tuesday, Oct 29				
8:30AM	Sep Goods Trade Balance Adv		\$-96.1B	\$-94.26B
8:30AM	Sep Wholesale inventories mm (%) ☆		0.2%	0.1%
8:30AM	Sep Retail Inventories Ex Autos MoM Adv			0.5%
8:55AM	Oct/26 Redbook yy (%)			4.6%
9:00AM	Aug House Price Index			425.2
9:00AM	Aug FHFA Home Prices y/y (%) ☆			4.5%
9:00AM	Aug CaseShiller 20 mm nsa (%)			0%
9:00AM	Aug Case Shiller Home Prices-20 y/y (%) ☆		5%	5.9%
9:00AM	Aug FHFA Home Price Index m/m (%)		0.1%	0.1%
10:00AM	Oct CB Consumer Confidence (%) ☆		99.3	98.7
10:00AM	Sep JOLTs Job Quits ☆			3.084M
10:00AM	Sep USA JOLTS Job Openings ★		7.99M	8.04M
10:30AM	Oct Dallas Fed Services Index			-2.6
10:30AM	Oct Dallas Fed Services Revenues Index			10.1
11:30AM	26-Week Bill Auction (bl)	80		
11:30AM	52-Week Bill Auction			3.780%
11:30AM	52-Week Bill Auction (bl)		48	
11:30AM	42-Day Bill Auction (%)			4.650%
1:00PM	2-Year FRN Auction (%)			0.261%
1:00PM	7-Year Note Auction			3.668%
1:00PM	2-Yr Note Auction (bl)		30	
1:00PM	7-Yr Note Auction (bl) ★		44	
4:30PM	Oct/25 API weekly crude stocks (ml)			1.643M

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November Volatility Shows Up Early And Next Week Could Be Even Crazier

Last week's newsletter warned that it was time to start thinking about incredibly high volatility potential due to events in the first few days of November. But as far as interest rates are concerned, the volatility is already here. Rates jumped sharply higher to start the new week in a move that still has market watchers scratching their heads. Some analysts pointed to election odds as a...

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