

MARKET SUMMARY

Complete Recap of Today's Market Activity

Decent Showing in Light of Stronger Data

Market Summary: Thursday, October 31, 2024 - 6:06AM

Bonds lost ground today, but not as much as one might expect given the 233k vs 115k result in the ADP Employment data. Granted, ADP is a notoriously imperfect predictor of the NFP number that follows 2 days later, but that never stops markets from reacting on occasions like this. So what stopped them today? Some combination of month-end trading, a favorable report on new Treasury auction amounts, "bigger fish to fry," and perhaps the fact that payroll counts are being taken with a grain of salt due to weather-related disruptions in September. Ultimately, bonds did manage to lose a bit of ground, but not until well after the morning's econ data reaction window had passed.



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Latest Video Analysis



Reasonably Resilient in Light of Stronger Data

MBS & Treasury Markets

UMBS 5.5	98.85	-0.15	10YR	4.332%	+0.032%	10/31/2024 10:06AM EST
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New Lows For MBS

MBS prices lost ground fairly quickly after the 3pm CME close and 5.5 coupons are now down a quarter point on the day and just over 3/8ths from the AM highs. Negative reprices remain possible and are now slightly more possible.

10yr yields are up 3bps to the highs of the day at 4.285.

MBS MORNING: Deceptively Resilient After Stronger Data

ALERT: MBS Down Over a Quarter Point From Highs

Today's Mortgage Rates

30YR Fixed 7.02% -0.01% 15YR Fixed 6.50% +0.01% 10/30/2024

Economic Data Keeping Pressure on Mortgage Rates

The jobs report that came out at the beginning of October was a big wake up call for . Up until then, the prevailing belief was that the labor market was progressively softening and perhaps at risk of softening too quickly. The Federal Reserve had singled out the jobs market as an indicator that would dictate the pace of the rate cut cycle that had begun just 2 weeks earlier.

Much of the Fed's decision to opt for a 0.50% cut as opposed to a 0.25% cut had to do with the previous 2 jobs reports (the one that came out in early August and September). Both were markedly weaker. Taken together, they tipped the scales for the Fed.

The early October jobs report not only came in much stronger than expected, but it also revised the previous 2 reports quite a bit higher. That single moment of economic data completely changed the tone for interest rates, arguably contributing to just as much of the pain we've seen in October as any other factor. The only thing that comes close would be pre-election trading.

The next jobs report comes out this Friday morning, but this week has other economic reports that often serve as anecdotes. Today's ADP employment report came out much stronger than expected this morning, suggesting forecasters may be undershooting expectations for Friday's job count.

The underlying bond market (bonds dictate rates) maintained as much composure as we could have hoped for in light of the data. There was some weakness in response, but not enough to make for a big change in rates versus yesterday. Consider this a calm before two storms with the first being Friday's jobs report reaction and the second being next week's election-related market volatility. Either event has the potential to be very good or very bad for rates.

Economic Calendar

Last Week | This Week | Next Week

Time	Event	Actual	Forecast	Prior
Thursday, Oct 31				
7:30AM	Oct Challenger layoffs (k)	55.597K		72.821K
8:30AM	Q3 Employment costs (%) ★★	0.8%	0.9%	0.9%
8:30AM	Oct/19 Continued Claims (ml)	1862K	1890K	1897K
8:30AM	Q3 Employment Benefits qq (%)	0.8%		1%
8:30AM	Sep Core PCE Inflation (y/y) (%) ★	2.7%	2.6%	2.7%
8:30AM	Q3 Employment Wages qq (%)	0.8%		0.9%
8:30AM	Sep Core PCE (m/m) (%) ★★	0.3%	0.3%	0.1%
8:30AM	Oct/26 Jobless claims 4-wk avg (k)	236.5K		238.5K
8:30AM	Sep Personal Income (%)	0.3%	0.3%	0.2%
8:30AM	Oct/26 Jobless Claims (k) ★	216K	230K	227K
8:30AM	Sep Inflation-Adjusted Spending (Consumption) (%)	0.5%	0.4%	0.2%
8:30AM	Sep PCE (y/y) (%)	2.1%	2.1%	2.2%
8:30AM	Sep PCE price index mm (%)	0.2%	0.2%	0.1%

Time	Event	Actual	Forecast	Prior
9:45AM	Oct Chicago PMI ☆	41.6000	47	46.6
10:30AM	Oct/25 Nat gas-EIA, change bcf		81Bcf	80Bcf
11:30AM	4-Week Bill Auction			4.650%
11:30AM	8-Week Bill Auction			4.590%
12:00PM	Oct/30 30-Year Mortgage Rate			6.54%
12:00PM	Oct/30 15-Year Mortgage Rate			5.71%
4:30PM	Oct/30 Central Bank Balance Sheet			\$7.03T
Friday, Nov 01				
8:30AM	Oct Average earnings mm (%) ★		0.3%	0.4%
8:30AM	Average Hourly Earnings YoY		4%	4%
8:30AM	Oct Average workweek hrs (hr)		34.2	34.2
8:30AM	Oct Non Farm Payrolls ★★		113K	254K
8:30AM	Oct Private Payrolls (k)		90K	223K
8:30AM	Oct Manufacturing payrolls (k)		-28K	-7K
8:30AM	Oct Participation Rate ☆			62.7%
8:30AM	Oct Government Payrolls			31K
8:30AM	U-6 Unemployment Rate			7.7%
8:30AM	Oct Unemployment rate mm (%) ★★		4.1%	4.1%
9:45AM	Oct S&P Global Manuf. PMI ☆		47.8	47.3
10:00AM	Oct ISM Manufacturing Employment			43.9
10:00AM	Oct ISM Manufacturing New Orders			46.1
10:00AM	Oct ISM Mfg Prices Paid ★		48.5	48.3
10:00AM	Oct ISM Manufacturing PMI ★★		47.6	47.2
10:00AM	Sep Construction spending (%)		0%	-0.1%
1:00PM	Nov/01 Baker Hughes Oil Rig Count			480
1:00PM	Nov/01 Baker Hughes Total Rig Count			585








Recent Housing News

- Existing Home Sales Update: Still Bad
- Mortgage Apps Aren't Crashing. They're Just Being Logical
- Mixed Signals in New Home Construction Data

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

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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