

MARKET SUMMARY

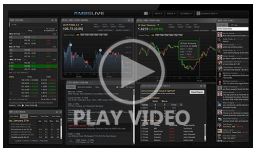
Complete Recap of Today's Market Activity

Will Jobs Data Finally Get Bond Market's Attention?

Market Summary: Friday, November 1, 2024 - 3:14AM

It's been a weird week so far with a crazy combination of significant intraday volatility and an absence of any major movement in the bigger picture. Case in point, closing levels in 10yr yields have been 4.27, 4.27, 4.28, and 4.28 (at the 3pm CME) close. That's an uncommonly flat week for closing levels, but even less common during a week with an absolute range of more than 13bps. Stranger still is that the volatility has taken few--if any--cues from economic data. Case in point, today's biggest market mover was the big sell off in UK bonds. Does this mean markets may be less interested in reacting to tomorrow's jobs report as much as normal? The answer is this simple: never bet against the jobs report's potential to make waves. Sure, the ultimate level of volatility could be limited by next week's unknowns, but a lopsided result in either direction would still be almost guaranteed to push rates in the corresponding direction.

Latest Video Analysis



Will Jobs Report Finally Get Bond Market's Attention?



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MBS & Treasury Markets

UMBS 5.5 99.00 -0.05 | 10YR 4.287% +0.000% 11/1/2024 7:14AM EST

Once Again, Bonds Hangin' Tough Without Much Focus on Data

If it weren't for the surge of volume in Treasuries lining up perfectly with economic report release times, one might wonder if traders even care that much about economic data right now. That would be quite the anomaly considering NFP week is traditionally the most reliable time to see data impact bonds. The counterpoint is that today's data wasn't resoundingly stronger than expected. Jobless Claims were back in line with trend levels, as expected, and monthly core PCE came in right in line with expectations (arguably a bit lower, considering the unrounded number was as low as it possibly could have been without being rounded down to 0.2% vs the 0.3% forecast). Lesser headlines were weaker than expected, but didn't help bonds. Instead, most of this morning's cues have come from overseas, of all places (thanks for nothing, U.K.).

The following chart has the same 20bps of y-axis space for both UK and US 10yr yields. This illustrates where the bond market drama is today, and helps us understand why we're seeing a late-morning recovery.

Bonus charts just to keep tabs on the evolution of jobless claims data:

ALERT: MBS Down Nearly a Quarter Point From Highs

UPDATE: Mixed Reaction to Slightly Stronger Data

Today's Mortgage Rates

30YR Fixed 7.09% +0.07% | 15YR Fixed 6.48% -0.02% 10/31/2024

Mortgage Rates at 4 Month Highs. More Volatility Ahead

rates moved moderately higher today, and while that leaves the average 30yr fixed rate only slightly higher than it was on Tuesday morning (7.09 vs 7.08), it's also the highest rate in almost exactly 4 months.

In a break from recent norms, the bond market didn't take cues from data or election positioning. Instead, it was a massive move in European bond markets (UK specifically) that spilled over to the U.S. in the morning hours. Once European markets were closed for the day, US bond markets improved and many mortgage lenders were able to offer token improvements in mortgage rates.

Bonds, which dictate mortgage rates, were ultimately able to log a fairly flat performance versus yesterday. That's the second time this week they've been able to show some signs of resilience, but neither attempt has been very impressive.

The lack of conviction isn't surprising given the high stakes events on the horizon. Tomorrow's jobs report could easily send rates sharply higher or lower. Next week's election results and Fed announcement represent similar risks (or opportunities). There's no way to know if these high stakes events will be good or bad for rates--only that the potential reaction is huge.

NOTE: 7.09% is quite a bit higher than what you may see in other news stories about mortgage rates today. That would be due to the overreliance on Freddie Mac's weekly rate survey which is still getting caught up with the day to day reality.

Time	Event	Actual	Forecast	Prior
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		479	480
1:00PM	Nov/01 Baker Hughes Total Rig Count			585
Monday, Nov 04				
10:00AM	Sep Factory ex-transp mm (%)			-0.1%
10:00AM	Oct Total Vehicle Sales (ml)		15.6M	15.8M
10:00AM	Sep Factory orders mm (%)			-0.2%
11:30AM	26-Week Bill Auction (bl)	81		
11:30AM	6-Month Bill Auction			4.325%
11:30AM	3-Month Bill Auction			4.49%
11:30AM	26-Week Bill Auction (bl)		72	
1:00PM	3-Year Note Auction			3.878%
1:00PM	3-Yr Note Auction (bl)		58	








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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