

MARKET SUMMARY

Complete Recap of Today's Market Activity

Getting Back to Normal, For a Few Days Anyway

Market Summary: Sunday, November 24, 2024 - 11:31AM

After a decidedly abnormal 6 weeks beginning in early October, bonds began to calm down last week. This offered some hope that the brisk volatility and selling pressure was subsiding. With 10yr yields closing inside a 3bp range for 5 days in a row, the restoration of normality is basically confirmed. Today's data didn't have a big impact, but we wouldn't expect it to (based on the mixed signals). Bonds continue waiting on early December data for the next big push in one direction or the other. The upcoming week is always a bit of a wild card due to the holiday and month-end, but the fact remains that there are no truly top tier market movers.

Latest Video Analysis



Getting Back to Normal, For a Few Days Anyway



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MBS & Treasury Markets

UMBS 5.5	99.02	+0.14	10YR	4.388%	-0.033%	11/22/2024 5:00PM EST
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Evidence Continues For The Sideways Slide

The bond market has been forced to take the victories that are within reach. As November winds down, the best victory we could have hoped for was the absence of any additional defeat. This has been a perfectly successful week in that regard. Yields fell on Monday and haven't closed any higher since then. Today's economic data doesn't look too eager to change that sideways streak. At this point, the previously prevailing uptrend in yields has seen enough of a breakout to view the market in a more sideways light. This doesn't preclude a resurgence of selling, but it does likely mean that such a resurgence would need to have justification in the data.

UPDATE: Slightly Weaker After PMI Data, But Some Solace From Internals

MBS MORNING: Bonds Giving Up Early Gains, But Not Due to Data

30YR Fixed 7.03% -0.01%

15YR Fixed 6.40% -0.01%

11/22/2024

A Refreshingly Boring Week For Mortgage Rates

Starting in early October, experienced significant volatility, meaning the average day over day change was much bigger than normal. While the term "volatility" technically allows for larger-than-normal moves in either direction, there was a clear winner in this case with rates moving almost a full percent higher.

Rates take direct cues from the bond market which, in turn, takes cues from several sources. These include economic data, inflation, geopolitical events, fiscal policy, and monetary policy. This particular episode was frustrating for fans of low rates because things seemed to be getting worse with and without the typical motivations. In a nutshell, there was no winning, and all we could do was wait for the smoke to clear.

Some semblance of reprieve began to take shape last week, but the underlying bond market remained jumpy. Volatility finally died down this week. The average 30yr fixed rate held inside a narrow 0.05% range and ended at the exact same levels seen last Friday. Just as notable: these are also the same levels that served as the mid-point during the more volatile time frame surrounding the election. In other words, rates arguably hit some sort of ceiling as early as October 28th and have simply been honing in on the middle ground.

This is the best victory that we could have hoped for in the near term. Rates are afraid of stronger economic data, more persistent inflation, and an overabundance of government debt (something that puts constant upward pressure on rates behind the scenes). In order to see a big drop to lower levels, we'd need to see the most closely watched economic reports come in much weaker and for inflation to drop to below-target levels in month-over-month terms (likely for a few months in a row).

Time	Event	Actual	Forecast	Prior
Friday, Nov 22				
9:45AM	Nov S&P Global Manuf. PMI ☆	48.8	48.8	48.5
9:45AM	Nov S&P Global Composite PMI ☆	55.3		54.1
9:45AM	Nov S&P Global Services PMI ★★	57.0	55.2	55.0
10:00AM	Nov U Mich conditions ☆	63.9	64.4	64.9
10:00AM	Nov Sentiment: 5y Inflation (%) ☆	3.2%	3.1%	3%
10:00AM	Nov Sentiment: 1y Inflation (%) ☆	2.6%	2.6%	2.7%
10:00AM	Nov Consumer Sentiment (ip) ☆	71.8	73.7	70.5
10:00AM	Nov Michigan Consumer Expectations Final	76.9	78.5	74.1
1:00PM	Nov/22 Baker Hughes Oil Rig Count	479		478
1:00PM	Nov/22 Baker Hughes Total Rig Count	583		584
Monday, Nov 25				
8:30AM	Oct National Activity Index			-0.28
10:30AM	Nov Dallas Fed Manufacturing Index			-3
11:30AM	26-Week Bill Auction (b)	81		
11:30AM	6-Month Bill Auction			4.310%
11:30AM	3-Month Bill Auction			4.420%
11:30AM	26-Week Bill Auction (b)		72	
1:00PM	52-Week Bill Auction (b)	40		
1:00PM	2-Year Note Auction			4.130%
1:00PM	2-Yr Note Auction (b)		69	
1:00PM	30-Day Bill Auction (%)			

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Rates and Housing Back in The Waiting Game

After embarking on a volatile journey in early October, the past 2 weeks have been calmer for mortgage rates. The present week was especially uneventful relative to the past 2 months. The following chart measures volatility in the underlying bond market, which is the precursor for mortgage rate movement. As such, it's no surprise to see volatility subside in mortgage rates.&nbs...

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