

MARKET SUMMARY

Complete Recap of Today's Market Activity

Why Bonds Sold Off After a Decent AM Rally

Market Summary: Thursday, December 12, 2024 - 3:02AM

It was a day for "explanations" in the bond market with the morning rally needing to be explained in the context of CPI data that came in right on the screws and a subsequent sell-off that also seemed to happen for no apparent reason. In fact, selling continued even after the well-received 10yr Treasury auction. To some extent, the AM selling can be tied to the Bank of Canada announcement, which was universally panned as ultra-hawkish (despite a 0.50% rate cut). The continued selling is more mysterious and can only really be explained with curve trading and repositioning following the AM CPI data. The big clue: Fed Funds Futures for next week rallied and never sold off. But the farther one moves into the future, the bigger the reversal became. Bottom line, traders sold long term bonds to buy the shortest term debt and the buying hasn't even necessarily taken place yet.



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Latest Video Analysis



Why Bonds Sold Off After a Decent AM Rally

MBS & Treasury Markets

UMBS 5.5	99.78	-0.04	10YR	4.287%	+0.003%	12/12/2024 3:01AM EST
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Weakest Levels of The Day

Despite a reasonably strong 10yr Treasury auction, bonds have drifted to the weakest levels of the day. 10yr yields are now up 4.3bps at 4.264. MBS are back down to 'unchanged' levels, just a bit below the levels seen after our first alert of the day.

Negative reprices are getting to be a bigger risk now with most lenders seeing at least an eighth point of weakness since rate sheet print times.

MBS MORNING: Why Bonds Rallied After CPI (And Why They Reversed Course an Hour Later)

ALERT: MBS More Than an Eighth Below Highs

Today's Mortgage Rates

30YR Fixed 6.80% +0.02%

15YR Fixed 6.05% -0.04%

12/11/2024

Mortgage Rates Started Lower, But Ended Higher

were having a pretty decent day at first. The bond market was only slightly weaker overnight (implies some upward pressure on rates), but quickly improved after the Consumer Price Index (CPI) data at 8:30am ET.

Notably, CPI was right in line with forecasts--something that often results in lower conviction and volatility for . We only tend to see big reactions to 'as-expected' numbers on the most closely watched reports. In other words, today's market reaction confirms just how closely CPI is being watched.

8:30am ET is early enough in the day that it allows bonds time to improve before the earliest mortgage lenders release their rate offerings for the day. As such, the average lender was 0.03% lower than yesterday when morning rates came out.

The good times only lasted about an hour. Whether it was a reaction to the Bank of Canada's policy announcement (a thing that actually impacted the U.S. bond market today) or strategic repositioning among bond traders ahead of next week's Fed announcement, bonds lost more than enough ground for the average mortgage lender to reissue rates at higher levels in the afternoon.

When the smoke cleared, today's rates ended up being 0.02% higher than yesterday as opposed to 0.03% lower. This isn't a big swing in the bigger picture, but together with the previous two days, rates are now up 0.12% so far this week.

Time	Event	Actual	Forecast	Prior
Thursday, Dec 12				
8:30AM	Nov Producer Prices (%)		0.2%	0.2%
8:30AM	Nov PPI			145.615
8:30AM	Nov Core Producer Prices MM (%) ★		0.2%	0.3%
8:30AM	Nov Core Producer Prices YY (%) ★		3.2%	3.1%
8:30AM	Dec/07 Jobless Claims (k) ★		220K	224K
8:30AM	Dec/07 Jobless claims 4-wk avg (k)			218.25K
8:30AM	Nov PPI YoY		2.6%	2.4%
8:30AM	Nov PPI Ex Food, Energy and Trade MoM			0.3%
8:30AM	Nov PPI Ex Food, Energy and Trade YoY			3.5%
8:30AM	Nov/30 Continued Claims (ml)		1880K	1871K
10:30AM	Dec/06 Nat gas-EIA, change bcf		-175Bcf	-30Bcf
11:30AM	4-Week Bill Auction			4.400%
11:30AM	8-Week Bill Auction			4.350%
12:00PM	Dec/11 30-Year Mortgage Rate			6.69%
12:00PM	Dec/11 15-Year Mortgage Rate			5.96%
1:00PM	30-Yr Bond Auction (bl) ☆	22		
1:00PM	30-Year Bond Auction ☆			4.608%
4:30PM	Dez/11 Central Bank Balance Sheet			\$6.9T
Friday, Dec 13				
8:30AM	Nov Export prices mm (%)		-0.2%	0.8%
8:30AM	Nov Import prices mm (%)		-0.2%	0.3%
8:30AM	Nov Export Prices YoY			-0.1%
8:30AM	Nov Import Prices YoY			0.8%
1:00PM	Dec/13 Baker Hughes Oil Rig Count			482
1:00PM	Dec/13 Baker Hughes Total Rig Count			589








Recent Housing News

- Mortgage Applications Surge (Relatively) as Rates Drop (Relatively)
- Mortgage Purchase Demand Continues Surging, Sort Of...
- Home Mortgage Purchase Applications Highest Since February

Waiting Game is Over and Rates Are Moving

As of last week, rates were showing some signs of resilience, but they had to wait for the true test from this week's jobs report. Spoiler alert: they passed the test. The jobs report (officially called "The Employment Situation") is the most important economic report on any given month. Nothing else has as much power to push interest rates higher or lower. This installment, specific...

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