

MARKET SUMMARY

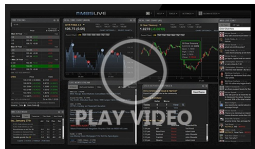
Complete Recap of Today's Market Activity

Not as Bad as it Could Have Been

Market Summary: Saturday, December 21, 2024 - 10:56AM

After Wednesday's Fed-driven sell-off, it was unlikely if not impossible that bonds wouldn't end up saying they had a bad week. That is certainly still the case, but after Friday, it's not as bad as it could have been. PCE inflation came in at 0.1% at the core level, month over month. If inflation repeated that performance for 12 months, annual inflation would be below the 2.0% target. Headline inflation is even lower and has been doing even better in terms of getting back to a target trajectory. Bond traders are largely able to price in PCE data because a good amount of it can be calculated from CPI/PPI which come out 2 weeks earlier. There was still enough of a surprise for 10yr yields to drop a quick 6bps and ultimately end the day 4bps lower than yesterday.

Latest Video Analysis



Not as Bad as it Could Have Been

MBS & Treasury Markets

| | | | | | | |
|----------|-------|-------|------|--------|---------|-----------------------|
| UMBS 5.5 | 98.76 | +0.24 | 10YR | 4.526% | -0.045% | 12/20/2024 5:00PM EST |
|----------|-------|-------|------|--------|---------|-----------------------|

MBS Down Just Over an Eighth From Highs

MBS hit their highs of the day just after noon ET and have corrected a bit since then. While 5.5 coupons are still up a quarter point, they're down just over an eighth of a point from the highs. Jumpy lenders who had previously repriced for the better could technically justify a negative reprice. Other lenders are only seeing 3 ticks (.09) of weakness from opening rate sheets. While some of them have occasionally repriced in similar situations, it wouldn't be justified in terms of market movement.

10yr yields are still down almost 6bps on the day at 4.511.

MBS MORNING: Stronger Start After Cooler PCE, But Don't Expect Miracles

UPDATE: PCE Cooler Than Expected. Bonds Rallying Modestly



Black Diamond

Mortgage Brokers, Black
Diamond Mortgage
Corporation

www.blackdiamondmortgage.com

P: (406) 862-4999

307 Spokane Ave
Whitefish MT 59937
209137



Today's Mortgage Rates

30YR Fixed 7.04% -0.10%

15YR Fixed 6.43% -0.02%

12/20/2024

Mortgage Rates Recover Some of The Lost Ground

The week's big story is still the big jump in rates that took place after Wednesday's Fed announcement. And while rates remain noticeably elevated on the week due to that jump, they're set to end the week at slightly less elevated levels.

Credit this morning's inflation data for that development! Part of Wednesday's Fed Day drama involved a renewed focus on inflation reports. That added to anxiety because Friday's PCE inflation index is one of the two big inflation reports that come out each month.

The bond market that underlies day-to-day interest rate movement is most focused on what's known as "core" inflation, which discounts the more volatile food and energy components. If month over month core inflation is running just under 0.2%, annual inflation would eventually hit its 2.0% target.

Today's monthly core PCE came in at 0.1%, which was lower than the market expected. In year over year terms, there's more work to do, as PCE remained at 2.8%. The market actually expected a 0.1% increase on the annual number.

In general, when reports like PCE (or its counterpoint, CPI) come in lower than expected, it puts downward pressure on rates. Today was no exception with the average lender getting back almost half of the ground lost on Wednesday. Top tier 30yr fixed rates are still over 7%, but only just.

| Time | Event | Actual | Forecast | Prior |
|-----------------------|---|--------|--------------|--------|
| Friday, Dec 20 | | | | |
| 8:30AM | Nov Core PCE Inflation (y/y) (%) ★ | 2.8% | 2.9% | 2.8% |
| 8:30AM | Nov Core PCE (m/m) (%) ★★ | 0.1% | 0.2% | 0.3% |
| 8:30AM | Nov Inflation-Adjusted Spending (Consumption) (%) | 0.4% | 0.5% | 0.4% |
| 8:30AM | Nov PCE (y/y) (%) | 2.4% | 2.5% | 2.3% |
| 8:30AM | Nov Personal Income (%) | 0.3% | 0.4% | 0.6% |
| 8:30AM | Nov PCE price index mm (%) | 0.1% | 0.2% | 0.2% |
| 10:00AM | Dec Sentiment: 5y Inflation (%) ☆ | 3% | 3.1% | 3.2% |
| 10:00AM | Dec Consumer Sentiment (ip) ☆ | 74.0 | 74.0 | 71.8 |
| 10:00AM | Dec Sentiment: 1y Inflation (%) ☆ | 2.8% | 2.9% | 2.6% |
| 10:00AM | Dec U Mich conditions ☆ | 75.1 | 77.7 | 63.9 |
| 10:00AM | Dec Michigan Consumer Expectations Final | 73.3 | 71.6 | 76.9 |
| 1:00PM | Dec/20 Baker Hughes Total Rig Count | 589 | | 589 |
| 1:00PM | Dec/20 Baker Hughes Oil Rig Count | 483 | | 482 |
| Monday, Dec 23 | | | | |
| 8:30AM | Nov National Activity Index | | | -0.40 |
| 10:00AM | 26-Week Bill Auction (bl) | 81 | | |
| 10:00AM | Dec CB Consumer Confidence (%) ☆ | | 113 | 111.7 |
| 10:00AM | 6-Month Bill Auction | | | 4.160% |
| 10:00AM | 3-Month Bill Auction | | | 4.250% |
| 10:00AM | 26-Week Bill Auction (bl) | | 72 | |
| 10:30AM | NY Fed Treasury Purchases 0 to 1 yrs (%) | | \$50 million | |
| 11:30AM | 26-Week Bill Auction (bl) | 65 | | |
| 11:30AM | 52-Week Bill Auction | | | 4.190% |
| 11:30AM | 52-Week Bill Auction (bl) | | 48 | |
| 11:30AM | 42-Day Bill Auction (%) | | | 4.270% |
| 1:00PM | 2-Year Note Auction | | | 4.274% |
| 1:00PM | 2-Yr Note Auction (bl) | | 69 | |
| 7:00PM | US Holiday | | | |

Recent Housing News

- Highest Existing Home Sales Since March
- Modest Refi Surge Was Fun While it Lasted
- Highest Building Permits Since February Despite Slower Housing Starts

Once Again, Mortgage Rates Shoot Higher After a Fed Rate Cut

"If anything on Fed day ends up having an impact on mortgage rates, it would have to be changes in the Fed's rate outlook and/or comments from Fed Chair Powell during the press conference that follows the rate announcement." That's how we closed out last week's newsletter , and there were certainly some changes! The gist was that mortgage rates often correlate very poorly with changes in...

Mortgage Calculators

-  [Mortgage Payment w Amortization](#)
-  [Loan Comparison](#)
-  [Advanced Loan Comparison](#)
-  [Early Payoff](#)
-  [Should I Refinance?](#)
-  [Rent vs. Buy](#)
-  [Blended Rate](#)