

MARKET SUMMARY

Complete Recap of Today's Market Activity

Friendly Reversal Thanks to 7yr Treasury Auction

Market Summary: Thursday, December 26, 2024 - 9:08PM

The day began as so many days over the past few months with bonds moving higher in yield for reasons that transcend the typical economic data or news headlines. The Christmas holiday week is particularly random in terms of directionality due to low volume and liquidity. That ended up being beneficial today with a strong 7yr Treasury auction resulting in a favorable imbalance between buyers and sellers. Light liquidity/volume magnifies the impacts of such imbalances. The result was one of the biggest reactions to a 7yr Treasury auction in several years. That's not a high bar, but was nonetheless worth 4bps in 10yr yields and a move from weaker to stronger territory on the day.

Latest Video Analysis



Friendly Reversal Thanks to 7yr Treasury Auction



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|----------|-------|-------|------|--------|---------|-----------------------|
| UMBS 5.5 | 98.46 | -0.10 | 10YR | 4.626% | +0.049% | 12/27/2024 5:00PM EST |
|----------|-------|-------|------|--------|---------|-----------------------|

Have You Heard The One About "Path of Least Resistance?"

Bonds are back in the office for a few days, at least in the sense that there are no holiday scheduled changes, and they've wasted no time getting right back to the messaging that's been in force for most of the month. Specifically, the path of least resistance is for longer term rates to move higher at a faster pace than short term rates. Things like the jobs report early in the month or the Fed announcement last week have contributed to this steepening effect (fancy jargon for 10yr yields moving higher faster than 2yr yields), but there are days where that momentum seems self-sustaining without any additional motivation. Today is just the latest example.

The following chart is from 12/24, but nothing has changed since then in the bigger picture.

Today's only relevant econ data is weekly jobless claims, and there's nothing interesting to report there. Claims came in just under forecast, and even in non-seasonally adjusted terms, they continue tracking with the recent reference years.

- MBS MORNING: Time For One of Those "Path of Least Resistance" Headlines
- ALERT: Down More Than a Quarter Point

Today's Mortgage Rates

| | | | | | | |
|------------|-------|--------|------------|-------|--------|------------|
| 30YR Fixed | 7.11% | -0.01% | 15YR Fixed | 6.47% | -0.01% | 12/27/2024 |
|------------|-------|--------|------------|-------|--------|------------|

Mortgage Rates Start Higher, But Recover in Afternoon

are based on trading levels in the bond market and bond market activity has been extremely slow, as is normally the case during the Christmas holiday week. The side effect of the slow activity is the risk of more random volatility. In other words, bonds (and thus rates) can move in either direction (or in both directions on the same day) for no apparent reason.

Today was one of those "both directions" days. At the start of the day, bonds were at their weakest levels in months. As such, it was logical to see mortgage rates begin the day near their weakest levels in months. Fortunately, the worst was over early in the day and bonds improved steadily from then on out.

Mortgage lenders prefer to set rates once per day and they typically only change when bonds move enough. Today's improvement was enough for most lenders to make friendly adjustments by the afternoon. After those improvements, the average lender was back near the levels seen on Tuesday, and slightly below last week's highs.

Top tier conventional 30yr fixed rates continue to operate near the 7.125% mark.

| Time | Event | Actual | Forecast | Prior |
|------------------|------------------------------------|---------|----------|---------|
| Thursday, Dec 26 | | | | |
| 8:30AM | Dec/14 Continued Claims (ml) | 1910K | 1880K | 1874K |
| 8:30AM | Dec/21 Jobless Claims (k) ★ | 219K | 224K | 220K |
| 1:00PM | 17-Week Bill Auction (%) | 4.230% | | 4.220% |
| 1:00PM | 7-Yr Note Auction (bl) ★ | 44 | | |
| Friday, Dec 27 | | | | |
| 8:30AM | Nov Wholesale inventories mm (%) ☆ | -0.2% | 0.2% | 0.2% |
| 1:00PM | Dec/20 Crude Oil Inventory (ml) | -4.237M | -2M | -0.934M |

Recent Housing News

- New Homes Sales Bounce Back After Hurricane Season
- Highest Existing Home Sales Since March
- Modest Refi Surge Was Fun While it Lasted

Read My Latest Newsletter

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