

MARKET SUMMARY

Complete Recap of Today's Market Activity

In-Range Volatility on Tariff Headlines, But Broadly Sideways

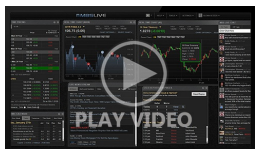
Market Summary: Monday, February 3, 2025 - 4:53PM

If you are following along with intraday market movement and not taking breaks to zoom the chart out, volatility seems to be rather extreme at the moment. Bonds began the day in stronger territory, bounced back to unchanged in the first 30 minutes, rallied sharply after data, gave up the rally almost immediately thereafter and then continued selling back to unchanged levels just before the 3pm CME close. All of the above transpired in a 9bp range in 10yr yields, but moved of it was in a 4bp range. Tariff headlines are certainly good for some of that in-range volatility, but we have yet to see them set any big picture tones. Today's best attempt was the selling spree just after 10am ET following news that tariffs on Mexico would be delayed until March 1st.

Market Movement Recap

- 09:56 AM Slightly stronger overnight as stocks swoon on tariff announcements. MBS up 1 ticks and 10y down 2.9bps at 4.508
- 10:54 AM Lots of volatility surrounding 10am ISM data and US/Mexico tariff pause. MBS now down 1 tick (.03) and 10yr up 1.1bps at 4.526, both near the day's weakest levels.
- 02:06 PM Mostly holding a fairly narrow range, but currently at the lower end of that range with MBS down 2 ticks (.06) and 10yr yields down 0.3bps at 4.534
- 02:53 PM Just off weakest levels of the day. MBS down 3 ticks (.09) and 10yr up half a bp at 4.54

Latest Video Analysis



In-Range Volatility on Tariff Headlines



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UMBS 5.5 98.71 -0.12 10YR 4.556% +0.019% 2/3/2025 4:52PM EST

Negative Reprice Risk Increasing

MBS are now down an eighth of a point on the day and 6 ticks (.19) from the most recent high. Most lenders are now seeing at least an eighth of a point of weakness from morning rate sheet print times. As such, negative reprices are possible among the jumpier lenders.

10yr yields are now up almost 2bps at 4.554.

UPDATE: MBS Technically Down an Eighth From Most Recent High

MBS MORNING: Making Sense of Bond Market Reaction to Tariffs

Today's Mortgage Rates

30YR Fixed 7.05% +0.00% 15YR Fixed 6.45% -0.01% 2/3/2025

Mortgage Rates Stay Flat Despite Underlying Market Volatility

We know that are driven by financial markets and we know that financial markets have experienced volatility amid the roll-out of new tariffs over the weekend. But rates are starting the current week right in line with Friday's latest levels (themselves, little-changed from any other day last week).

Part of the paradox is down to timing. Specifically, the bonds that underly day-to-day rate movement are indeed experiencing volatility, but it's all coming out in the wash, so to speak. Big moves in one direction have frequently and rapidly been offset by moves in the other direction. In addition, volatility that transpires in the early morning or late afternoon is often outside the window that has a direct bearing on mortgage lenders setting rates for the day.

Monday stood a chance to see rates fall compared to Friday, but tariff headlines brought the market back in the other direction at the last possible moment. The net effect was an average top tier 30yr fixed rate that was perfectly unchanged from last week.

This won't go on forever, of course. Apart from coincidental luck running out, rates will be forced to take cues from any consensus in the the economic data. For instance, if the data over the coming days is mostly weaker than expected, rates would be more likely to move lower. If the data is strong, rates would be more likely to move higher.

| Time | Event | Actual | Forecast | Prior |
|------------------------|--|--------|----------|--------|
| Monday, Feb 03 | | | | |
| 9:45AM | Jan S&P Global Manuf. PMI ☆ | 51.2 | 50.1 | 49.4 |
| 10:00AM | Jan ISM Manufacturing Employment | 50.3 | | 45.3 |
| 10:00AM | Jan ISM Manufacturing New Orders | 55.1 | | 52.5 |
| 10:00AM | Jan ISM Mfg Prices Paid ★ | 54.9 | 52.6 | 52.5 |
| 10:00AM | Jan ISM Manufacturing PMI ★★ | 50.9 | 49.8 | 49.3 |
| 10:00AM | Dec Construction spending (%) | 0.5% | 0.2% | 0% |
| 11:30AM | 52-Week Bill Auction (b) | 72 | | |
| 11:30AM | 26-Week Bill Auction (b) | 84 | | |
| 11:30AM | 3-Month Bill Auction | 4.22% | | 4.195% |
| 11:30AM | 6-Month Bill Auction | 4.155% | | 4.14% |
| 12:30PM | Fed Bostic Speech ☆ | | | |
| 2:00PM | Loan Officer Survey | | | |
| 3:00PM | Treasury Refunding Financing Estimates (%) | | | |
| 6:30PM | Fed Musalem Speech ☆ | | | |
| Tuesday, Feb 04 | | | | |
| 6:00AM | Jan LMI Logistics Managers Index Current | | | 57.3 |
| 8:55AM | Feb/01 Redbook yy (%) | | | 4.9% |
| 10:00AM | Dec USA JOLTS Job Openings ★ | | 8M | 8.098M |
| 10:00AM | Dec JOLTS Job Quits ☆ | | | 3.065M |
| 10:00AM | Dec Factory orders mm (%) | | -0.8% | -0.4% |
| 10:00AM | Dec Factory ex-transp mm (%) | | | 0.2% |
| 10:10AM | Feb IBD economic optimism | | 53.0 | 51.9 |
| 11:00AM | Fed Bostic Speech ☆ | | | |
| 11:30AM | 52-Week Bill Auction (b) | 85 | | |
| 11:30AM | 42-Day Bill Auction (%) | | | 4.260% |
| 2:00PM | Fed Daly Speech ☆ | | | |
| 4:30PM | Jan/31 API weekly crude stocks (ml) | | | 2.86M |
| 7:30PM | Fed Jefferson Speech ☆ | | | |

Recent Housing News

- Pending Home Sales Pull Back From Best Levels Since April 2023
- Home Price Appreciation Ran Just Above Expectations in November
- Existing Home Sales Inch Up to Highest Levels Since February

Bonds Brace For Tariff Impact, Just Like Last Time

Spoiler alert: no one really knows how tariffs are going to impact the market yet. Much is left to be decided, and the outcomes can vary depending on the details. Markets were certainly willing to react to tariff headlines this week with Thursday and Friday overshadowing Wednesday's Fed announcement. In general, both stocks and bonds are treating tariffs the same way they treat the Fed Funds Ra...

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