

MARKET SUMMARY

Complete Recap of Today's Market Activity

Bonds Rally Back to Prevailing Range

Market Summary: Wednesday, February 5, 2025 - 7:59AM

The only moderately inconvenient part of the day was the morning hours as bonds lost ground overnight and started out weaker in domestic trading. That didn't last long. Yields began falling just after 9am and continued lower after today's biggest economic report came out weaker than expected (job openings at 7.6m vs 8.0m f'cast). Oil prices took a temporary hit from newswires regarding Trumping increasing pressure on Iran, but as that price spike leveled off, bonds continued to improve. Some news outlets suggest today's gains had something to do with the Mexico/Canada tariff pause, but that news was out well before the AM weakness. The simplest view is that bonds opted to maintain the prevailing range which has seen 10yr yields hold within 6bps of 4.53 since January 24th.

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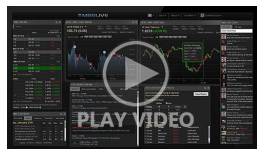
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Bonds Rally Back to Prevailing Range

MBS & Treasury Markets

UMBS 5.5	99.24	+0.34	10YR	4.416%	-0.090%	2/5/2025 12:59PM EST
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Recovering Overnight Losses With Help From JOLTS and in Spite of Oil Price Bounce

Bonds initially drifted into slightly weaker territory in the overnight session, but began bouncing back just after 9am ET. All this in spite of a quick spike in oil prices on an announcement from Trump regarding "maximum pressure" on Iran (intended to counter Iran's nuclear proliferation and "drive oil exports to zero"). Bonds continued improving after the mixed JOLTS data. Job openings aren't quite as low as they were at the cycle lows in August, but the drop was more than enough to offset the uptick in "quits." Both numbers correlate with rate movement (i.e. lower=lower and vice versa).

ALERT: Negative Reprice Risk Increasing

UPDATE: MBS Technically Down an Eighth From Most Recent High

Today's Mortgage Rates

30YR Fixed 6.99% -0.06% | 15YR Fixed 6.37% -0.08% 2/5/2025

Mortgage Rates Score Another Victory Against Excitement

If you like your mortgage rate movement boring and minimal, this week's for you (and last week, and the week before that). Going all the way back to January 17th, the average lender hasn't changed their top tier 30yr fixed rate quote by more than 0.05%, and has been operating in an overall range of 0.07%.

To get an idea of how narrow that is, a typical highly volatile day involves rates moving by more than .12%. In stark contrast, the average rate hasn't changed by even 0.01% since last Thursday.

This stability isn't for lack of apparent inspiration for volatility. Clearly, there are plenty of political developments in the first month of any new presidential administration. Those developments have indeed translated to small scale, in-range volatility in the markets that determine , but they've largely canceled each other out, or been canceled out by other events.

Despite the calm, we wouldn't advocate a complacent attitude looking forward. Rates can still be impacted by economic data and the next 6 business days bring the heaviest hitting reports of the month (chiefly Friday's jobs report and next Wednesday's Consumer Price Index).

Economic Calendar

Last Week | This Week | Next Week

Time	Event	Actual	Forecast	Prior
Wednesday, Feb 05				
7:00AM	Jan/31 MBA 30-yr mortgage rate (%)	6.97%		7.02%
7:00AM	Jan/31 MBA Refi Index	584.3		520.9
7:00AM	Jan/31 MBA Purchase Index	156.7		162.4
7:00AM	Jan/31 Mortgage Market Index	224.8		220.0
7:00AM	Jan/31 MBA Mortgage Applications	2.2%		-2%
8:15AM	Jan ADP jobs (k) ☆	183K	150K	122K
8:30AM	Treasury Refunding Announcement (%)			
8:30AM	Dec Trade Gap (bl)	\$-98.4B	\$-96.6B	\$-78.2B
8:30AM	Dec Exports	\$266.5B		\$273.4B
8:30AM	Dec Imports	\$364.9B		\$351.6B
9:00AM	Fed Barkin Speech ☆			
9:45AM	Jan S&P Global Services PMI ★★	52.9	52.8	56.8
9:45AM	Jan S&P Global Composite PMI ☆	52.7	52.4	55.4
10:00AM	Jan ISM N-Mfg PMI ★★	52.8	54.3	54.1
10:00AM	Jan ISM Biz Activity ★	54.5		58.2
10:00AM	Jan ISM Services Prices	60.4		64.4

Time	Event	Actual	Forecast	Prior
10:00AM	Jan ISM Services Employment	52.3		51.4
10:00AM	Jan ISM Services New Orders	51.3		54.2
10:30AM	Jan/31 EIA Heating Oil Stocks Change	0.373M		0.128M
10:30AM	Jan/31 EIA Gasoline Production Change	-0.027M		-0.044M
10:30AM	Jan/31 EIA Gasoline Stocks Change	2.233M	1.2M	2.957M
10:30AM	Jan/31 EIA Crude Oil Imports Change	-0.178M		0.532M
10:30AM	Jan/31 EIA Distillate Fuel Production Change	-0.186M		0.028M
10:30AM	Jan/31 EIA Distillate Stocks Change	-5.471M	-1.5M	-4.994M
10:30AM	Jan/31 Crude Oil Inventory (ml)	8.664M	2.6M	3.463M
10:30AM	Jan/31 EIA Cushing Crude Oil Stocks Change	-0.034M		0.326M
10:30AM	Jan/31 EIA Refinery Crude Runs Change	0.16M		-0.333M
11:30AM	17-Week Bill Auction (%)	4.205%		4.190%
1:00PM	Fed Goolsbee Speech ☆			
3:00PM	Fed Bowman Speech ☆			
7:30PM	Fed Jefferson Speech ☆			
Thursday, Feb 06				
7:30AM	Jan Challenger layoffs (k)			38.792K
8:30AM	Q4 Nonfarm Productivity QoQ Final		1.4%	2.2%
8:30AM	Jan/25 Continued Claims (ml)		1870K	1858K
8:30AM	Feb/01 Jobless Claims (k) ★		213K	207K
8:30AM	Q4 Unit Labour Costs QoQ Final		3.4%	0.8%
8:30AM	Feb/01 Jobless claims 4-wk avg (k)			212.5K
10:00AM	Jan Total Vehicle Sales (ml)			16.8M
10:30AM	Jan/31 Nat gas-EIA, change bcf		-167Bcf	-321Bcf
11:30AM	8-Week Bill Auction			4.240%
11:30AM	4-Week Bill Auction			4.250%
12:00PM	Feb/06 15-Year Mortgage Rate			6.12%
12:00PM	Feb/06 30-Year Mortgage Rate			6.95%
2:30PM	Fed Waller Speech ☆			
3:30PM	Fed Daly Speech ☆			
4:30PM	Feb/05 Central Bank Balance Sheet			\$6.82T

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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