

MARKET SUMMARY

Complete Recap of Today's Market Activity

Nice Win For Bonds With Help From Data

Market Summary: Wednesday, February 5, 2025 - 4:38PM

There are plenty of moving pieces at the moment when it comes to assigning credit for various ups and downs in the bond market on any given day. Many of those can only be guessed at--or at the very least, debated--due to the uncertain eventual impact from economic policies that have yet to be fully understood or implemented. For example, some would say that bonds benefited from yesterday's news that Trump intends to take over Gaza, but others would say it was a non-event. One thing all bond watchers can agree on is that pedigree reports like ISM Services are highly likely to do logical things to bonds when they come in noticeably weaker or stronger than expected. Today's ISM data was weaker, including the price component. As such, it's no surprise to see an extension of the overnight rally just after the data, with the resulting trading levels lasting for most of the day.

Market Movement Recap

- 08:27 AM MBS up just over an eighth of a point and 10yr down 5bps at 4.46
- 10:45 AM Gains continue after ISM data. MBS up 9 ticks (.28) and 10yr down 8bps at 4.425.
- 01:08 PM Calmly holding best levels of the day. MBS up 3/8ths and 10yr down almost 9 bps at 4.419
- 03:07 PM Down just over an eighth from highs, but still much stronger with MBS up 10 ticks (.31) on the day. 10yr yields down 8.4bps at 4.421

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Super Solid Momentum For Multiple Reasons



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UMBS 5.5 99.23 +0.33 | 10YR 4.422% -0.084% 2/5/2025 4:37PM EST

MBS Still Much Stronger, But Down Over an Eighth From Highs

This is one of those "heads-up" updates that will mean different things to different people depending on the lenders involved.

MBS are still up more than a quarter point on the day and 10yr yields are still down almost 9bps at 4.42. But both have dialed back from their best levels. For 5.5 UMBS coupons, prices are now 5 ticks (.16) below the intraday highs seen near 2pm ET. Lenders who repriced for the better near those highs could technically justify a modest price adjustment, but very few lenders are jumpy enough to consider pulling the trigger in these circumstances. The only major exception would be for lenders who have a history of "pipeline control" reprices.

Also note that it's currently just as likely to see a positive reprice from a lender who is still on the morning's first rate sheet.

The best way to use this update is as a lock cue for those who were already planning on locking today AND those who've already seen a positive reprice--especially in the past hour.

MBS MORNING: Making Headway on ISM Data, and Lesser Supporting Actors

UPDATE: No Major Reaction to ADP Data

Today's Mortgage Rates

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

Mortgage Rates Finally Make a Move (Lower)

The recent absence of volatility in day-to-day mortgage rate movement has been an easy target for light-hearted indignation among market watchers. But to be fair, if rates had been moving swiftly higher/lower/both, most market watchers would wish for some sideways stability.

In fact, for most prospective borrowers as well as mortgage professionals, the only thing better than sideways stability is a healthy drop to lower levels. Now, after a week of utter flatness, we finally have such a drop.

Rates are determined by trading levels in the bond market and bonds can be influenced by many factors. One of the most reliable is the periodic release of various economic reports. Today's key data showed less strength than expected in the services sector. In general, when an important economic metric is weaker than expected, it pushes rates lower, and vice versa.

Today was no exception, but bonds had already improved even before the data came out. Connecting the dots of causality on that additional movement requires a bit more speculation, but some would say it has to do with perceived economic headwinds associated with new fiscal policies. Conversely, others would say it's due to the delayed timeline of implementation for those same policies.

Either way, the net effect is always measurable because we can always take inventory of multiple mortgage lenders' rate offerings. In doing so today, we find the top tier conventional 30yr fixed rate back below 7% for the first time since December 17th, even if only be a mere 0.01%.

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

Time	Event	Actual	Forecast	Prior
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
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








- Refinance Applications Tick Back Up as Rates Play Ball
- Pending Home Sales Pull Back From Best Levels Since April 2023
- Home Price Appreciation Ran Just Above Expectations in November

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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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