

MARKET SUMMARY

Complete Recap of Today's Market Activity

Solid Conclusion to a Solid Week

Market Summary: Sunday, February 23, 2025 - 3:53AM

Bonds benefited from a one-two punch of economic data and stock market weakness on Friday, eventually helping 10yr yields flirt with their lowest levels since December 18th (Feb 5th and 7th still technically a hair lower). MBS have outperformed over that time, briefly hitting December 13th levels during today's best moments. While the morning gains were clearly tied to the S&P PMI data, afternoon gains came courtesy of a flight to safety with investors dumping stocks aggressively.



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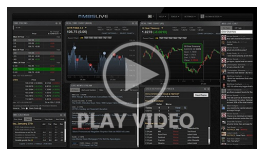
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Latest Video Analysis



Solid Conclusion to a Solid Week

MBS & Treasury Markets

UMBS 5.5	99.36	+0.30	10YR	4.429%	-0.078%	2/21/2025 5:00PM EST
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Near Best Levels in Months After AM Econ Data

MBS are very close to their February 5th levels, which were the best since the morning of December 18th before the Fed announcement (and dot plot) caused a big sell-off. Today, it's econ data that's contributing to the third day in a row of moderate gains. Specifically, S&P Services PMI dropped sharply to levels that are consistent with economic contraction, significantly undershooting expectations. Bonds responded immediately with MBS adding to overnight gains for a total of a quarter point day over day.

UPDATE: Big Miss in S&P PMI. Good Reaction in Bonds

MBS MORNING: Stronger Start. Thank Walmart or Bessent?

Today's Mortgage Rates

30YR Fixed	6.89%	-0.07%	15YR Fixed	6.37%	-0.04%	2/21/2025
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Mortgage Rates End Week at Lowest Levels Since December 18th

Back on December 18th, rates began the day fairly close to where they ended the previous day. In the afternoon, rates surged sharply higher following the Fed announcement. Even since then, the average 30yr fixed rate has operated almost exclusively above 7%.

Rates dipped a pinky toe into the 6% range on Feb 5th and then a few more toes last Friday. Now today, we're ending another week with damp digits, right in line with last Friday at the best levels since December 18th.

Today's improvement was initially driven by weak economic data this morning in the form of S&P Global's service sector index dropping sharply to the lowest levels since the middle of 2023. Rates tend to benefit from economic weakness.

The next leg of the improvement was mainly seen in underlying bond markets, and it came courtesy of a big stock market sell-off. Stock market weakness has a mixed relationship with bonds/rates. There are times where they move in unison and other times, in opposite directions. Today's version involved organic, heavy selling in stocks which ultimately pushed some investors into the bond market as a safe haven.

When investors buy more bonds, rates drop, all other things being equal. These additional gains in the bond market occurred after most mortgage lenders published their initial rates for the day. Only a handful of lenders dropped their rates in the afternoon in response to the additional bond market gains.

All that to say: if bonds start out at current levels next week, lenders who didn't update pricing today would be in a position to offer those improvements on Monday morning. But before you simply assume rates will be lower next week, consider that news over the weekend can always cause enough market movement to offset these types of apparent Friday afternoon opportunities.

Time	Event	Actual	Forecast	Prior
Friday, Feb 21				
9:45AM	Feb S&P Global Services PMI ★★★	49.7	53	52.9
9:45AM	Feb S&P Global Composite PMI ☆	50.4		52.7
9:45AM	Feb S&P Global Manuf. PMI ☆	51.6	51.5	51.2
10:00AM	Feb Sentiment: 1y Inflation (%) ☆	4.3%	4.3%	3.3%
10:00AM	Feb U Mich conditions ☆	65.7	68.7	74
10:00AM	Feb Sentiment: 5y Inflation (%) ☆	3.5%	3.3%	3.2%
10:00AM	Feb Michigan Consumer Expectations Final	64.0	67.3	69.3
10:00AM	Feb Consumer Sentiment (ip) ☆	64.7	67.8	71.1
10:00AM	Jan Exist. home sales % chg (%) ☆	-4.9%		2.2%
10:00AM	Jan Existing home sales (ml) ☆	4.08M	4.12M	4.24M
11:30AM	Fed Jefferson Speech ☆			
11:30AM	Fed Daly Speech ☆			
1:00PM	Feb/21 Baker Hughes Oil Rig Count	487		481
1:00PM	Feb/21 Baker Hughes Total Rig Count	592		588
Monday, Feb 24				
8:30AM	Jan National Activity Index			0.15
10:30AM	Feb Dallas Fed Manufacturing Index			14.1
11:30AM	26-Week Bill Auction (b)	76		
11:30AM	6-Month Bill Auction			4.220%
11:30AM	3-Month Bill Auction			4.225%
11:30AM	26-Week Bill Auction (b)		68	
1:00PM	2-Year Note Auction			4.211%
1:00PM	2-Yr Note Auction (b)		69	

Recent Housing News

- Refi Apps Still Near Best Levels Since October, Despite Larger Decline This Week
- Building Permits Staying Fairly Calm as Housing Starts Whipsaw
- Builder Confidence Dropped, But Not Enough to Jump to Conclusions

Lowest Rates in 2 Months. Was it The Fed or Econ Data?

It ended up being another good week for rates with another Friday drop to the lowest levels in 2 months. Momentum shifted for the better after Wednesday's Fed Minutes but accelerated quickly after Friday's release of the S&P Services PMI--a broad index tracking business activity in the services sector. Weaker economic data tends to promote bond buying which, in turn, pushes rates lower...

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