

MARKET SUMMARY

Complete Recap of Today's Market Activity

What's Up With The Big Bond Rally Despite Higher Inflation?

Market Summary: Saturday, March 29, 2025 - 6:28PM

It was one thing when bonds were only modestly stronger after this morning's inflation data. But 10yr yields went on to drop 12.7bps to the day at the lowest levels of the week (4.235%) and MBS rallied nearly 3/8ths of a point. The magnitude of the additional improvement demands additional explanation. On a speculative note, it's a strong possibility that we're seeing month/quarter-end positioning play a role. On a more obvious note, stocks tanked and there's a strong tendency for friendly spillover to bonds when stocks sell this much.

Latest Video Analysis



What's Up With The Big Bond Rally Despite Higher Inflation?



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MBS & Treasury Markets

UMBS 5.5	99.80	+0.33	10YR	4.242%	-0.120%	3/28/2025 5:00PM EST
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Paradoxical Reaction to Slightly Higher Inflation

Inflation, via this morning's PCE price index, came in slightly hotter than expected, but bonds are rallying in response. There are a few ways to approach this paradox both in the long and short term. On a more nitty gritty level, the unrounded PCE numbers were fairly close to consensus and that can always help mitigate unfriendly data. In the bigger picture, we can consider a few other factors. On a data-related note, annual PCE (non-core) stayed at 2.5% vs 2.5%--not too terrible considering a 2.0% target. Data aside, we can also consider the gap that we've discussed several times this week and the fact that bonds could simply be rallying because it was finally filled yesterday.

UPDATE: Bonds Unfazed By Slightly Hotter PCE

MBS MORNING: This Isn't The PCE We're Looking For

Today's Mortgage Rates

30YR Fixed	6.76%	-0.06%	15YR Fixed	6.15%	-0.09%	3/28/2025
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Mortgage Rates Move Lower Even Though They Weren't Supposed To

First thing's first before anyone gets too excited: yes, rates fell on Friday, but not significantly. The average lender is still a bit closer to the higher end of the recent range. In addition, the recent range is quite narrow with average top tier 30yr fixed rates never straying too far from 6.75 since late February.

What made today interesting was the fact that rates moved lower at all. As we often discuss, rates take lots of guidance from key economic reports such as this morning's PCE price index (a key inflation report). PCE arguably had more potential than any other economic data this week to cause a reaction in rates.

Conventional wisdom is clear on the reaction function: If inflation comes in higher than expected, rates are more likely to move up, all other things being equal. In today's case, rates dropped even though inflation rose. What's up with that?

One mitigating factor is the fact that the unrounded PCE numbers were much closer to what the market was expecting. In other words, inflation looked like it rose more than it actually did due to the custom of rounding the numbers to the nearest tenth of a percent.

Beyond that, it's also plain to see that the stock market fell significantly today--something that's recently been very likely to correlate with moving lower.

Last but not least, there are some advanced considerations that have to do with month and quarter end trading practices. A detailed explanation is beyond the scope of our coverage, but the gist is that month/quarter end can create rate movement in either direction without any motivation from economic data. With Monday being the last day of the month/quarter, we're certainly seeing some influence from this type of trading.

Time	Event	Actual	Forecast	Prior
Friday, Mar 28				
8:30AM	Feb Personal Income (%)	0.8%	0.4%	0.9%
8:30AM	Feb Core PCE (m/m) (%) ★★	0.4%	0.3%	0.3%
8:30AM	Feb Core PCE Inflation (y/y) (%) ★	2.8%	2.7%	2.6%
8:30AM	Feb Inflation-Adjusted Spending (Consumption) (%)	0.4%	0.5%	-0.2%
8:30AM	Feb PCE (y/y) (%)	2.5%	2.5%	2.5%
8:30AM	Feb PCE price index mm (%)	0.3%	0.3%	0.3%
10:00AM	Mar U Mich conditions ☆	63.8	63.5	65.7
10:00AM	Mar Sentiment: 1y Inflation (%) ☆	5%	4.9%	4.3%
10:00AM	Mar Sentiment: 5y Inflation (%) ☆	4.1%	3.9%	3.5%
10:00AM	Mar Michigan Consumer Expectations Final	52.6	54.2	64.0
10:00AM	Mar Consumer Sentiment (ip) ☆	57.0	57.9	64.7
12:15PM	Fed Barr Speech ☆			
1:00PM	Mar/28 Baker Hughes Total Rig Count	592		593
1:00PM	Mar/28 Baker Hughes Oil Rig Count	484		486
3:30PM	Fed Bostic Speech ☆			
Monday, Mar 31				
9:45AM	Mar Chicago PMI ☆	47.6	45.2	45.5
10:30AM	Mar Dallas Fed Manufacturing Index	-16.3		-8.3
11:30AM	52-Week Bill Auction (bl)	68		
11:30AM	26-Week Bill Auction (bl)	76		
11:30AM	6-Month Bill Auction	4.070%		4.085%
11:30AM	3-Month Bill Auction	4.205%		4.190%
12:00PM	2025 Prospective Plantings - Corn	95.326M	94.35M	90.036M
12:00PM	2025 Prospective Plantings - Soy	83.495M	83.82M	86.51M
12:00PM	2025 Prospective Plantings - Wheat	45.35M	46.50M	47.498M
12:00PM	2025 Prospective Plantings - Cotton	9.867M	10.17M	10.673M
12:00PM	Mar Quarterly Grain Stocks - Corn	8.15B	8.13B	12.074B
12:00PM	Mar Quarterly Grain Stocks - Soy	1.91B	1.90B	3.1B
12:00PM	Mar Quarterly Grain Stocks - Wheat	1.24B	1.22B	1.57B

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- Purchase Applications Improve; Refinancing Ebbs
- New Home Sales Should Come With a Warning

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Inflation Told Rates to Rise. Rates Didn't Listen

Heading into the week, market watchers knew (or thought they knew) that Friday's PCE inflation data had a chance to help or hurt interest rates more than any other economic report. When PCE came out higher than expected on Friday morning, market watchers knew (or thought they knew) what would happen next. But instead, the opposite happened. Events like this se...

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