

MARKET SUMMARY

Complete Recap of Today's Market Activity

Wild Round Trip Leaves MBS Weaker Despite Huge Initial Rally

Market Summary: Friday, April 4, 2025 - 7:08PM

MBS ended Friday right about where they ended Thursday, and if that's all you got to know about the future on Thursday afternoon, it would have been good news. But as it stands, it could be a bit frustrating considering it means about 3/8ths of a point of weakness from AM levels. Moreover, there was no glaringly obvious motivation for the reversal, nor was there a similar reversal in equities. That leaves us to consider factors like traders moving to sidelines heading into the weekend and mid day headlines regarding Vietnam lowering tariffs on the U.S. (a proof of concept for de-escalation of trade war themes). MBS underperformance can be seen as a combination of Treasuries being the preferred safe haven for flights to safety, and also the only beneficiary of the Fed's QT tapering plans. Today's video dives deeper into these considerations, but the takeaway is that the week was a win overall, and that anything can change quickly when the market is taking cues from tariff-driven economic speculation.



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Latest Video Analysis



Wild Round Trip Leaves MBS Weaker Despite Huge Initial Rally

MBS & Treasury Markets

UMBS 5.5	100.32	-0.06	10YR	4.005%	-0.024%	4/4/2025 5:00PM EST
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Just a Bit More Weakness

This is a slight amplification of the previous alert. MBS are still up an eighth on the day, but down more than a quarter point from many lenders' rate sheet print times. Negative reprices are increasingly possible for jumper lenders.

10yr yields are still down 5.3bps at 3.977, but that's the high of the day and well above the lows of 3.87.

MBS MORNING: Huge Overnight Gains on Trade War Escalation; Jobs Report an Afterthought

ALERT: Weakest Levels After Vietnam Trade Headlines

Today's Mortgage Rates

30YR Fixed 6.60% -0.03%

15YR Fixed 6.02% -0.03%

4/4/2025

Rate Rally Reverses, But Focus on Bigger Picture

This week is ending with the average top tier 30yr fixed mortgage rate at its lowest level since early October, 2024. The only way to be disappointed about that would be to focus on the fact that rates were even lower this morning.

Rates fell sharply due to the market's ongoing reaction to Wednesday's tariff announcement and especially due to China's announcement of retaliatory tariffs overnight. Bonds (which dictate rates) were at their strongest levels right at the start of domestic trading, but progressively erased gains. Why?

There are several ways to make a case for Friday's rate reversal. These include but are not limited to 3 key events:

1. A reasonably strong jobs report
2. News that Vietnam would lower tariffs on the U.S. (which acted as a proof of concept suggesting tariffs could end up being less onerous than feared)
3. Fed Chair Powell expressing renewed concern over the inflationary impact of tariffs as opposed to offering any indication that the Fed would be eager to cut rates in response to economic turmoil

In addition to those actual nuts and bolts, one could also consider that rates quite simply covered a ton of ground this week, relative to their recent tendencies, and it's not unheard of for traders to circle the wagons on a Friday afternoon (i.e. to push back slightly on the prevailing momentum).

Again, the average rate is still as low as it's been since October. If there's anything to be less than enthusiastic about, it's the fact that the nature of this motivation means that volatility remains a distinct risk, for better or worse.

Economic Calendar

Last Week

This Week

Next Week

Time	Event	Actual	Forecast	Prior
Friday, Apr 04				
8:30AM	Mar Average earnings mm (%) ★	0.3%	0.3%	0.3%
8:30AM	Mar Non Farm Payrolls (k) ★★	228K	135K	151K
8:30AM	Mar Participation Rate ☆	62.5%		62.4%
8:30AM	Mar Unemployment rate mm (%) ★★	4.2%	4.1%	4.1%
11:25AM	Fed Chair Powell Speech ★★			
12:00PM	Fed Barr Speech ☆			
12:45PM	Fed Waller Speech ☆			
Monday, Apr 07				
10:30AM	Fed Kugler Speech ☆			
3:00PM	Feb Consumer credit (bl)		\$15.2B	\$18.08B

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Lowest Rates Since October as Tariffs Spark Staggering Volatility

It was a great week for fans of chaos, volatility, and low interest rates as all 3 were delivered in spades. Despite the presence of several big ticket economic reports, the catalyst was Wednesday afternoon's tariff announcement followed by the international response on Thursday night. For the most part, the market has been responding to tariff news by selling stocks and buying bonds. Because m...

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