

MARKET SUMMARY

Complete Recap of Today's Market Activity

Liberation Day Volatility Has Come and Gone

Market Summary: Tuesday, April 8, 2025 - 5:24PM

The past 2 days of selling in the bond market may seem dramatic, but they make solid sense in the bigger picture. Trump's April 2nd "Liberation Day" was a hotly anticipated flashpoint for financial markets. Along with last week's economic data, it led bonds to rapidly begin pricing in more negative economic scenarios. We were already seeing the initial reaction fade on Friday, but this week's headlines have basically taken us right back to where we started last week. The latest installment came early this morning with Bessent referring to tariffs as a "melting ice cube." Long story short, there is still plenty of fear/uncertainty about how things will all shake out, but the past two days have shown bond traders that the administration is not simply going to tariff the global economy into oblivion--a concept that had contributed to 10yr yields breaking below 4% last week.

Latest Video Analysis



Heavy Losses as Bonds Brace For Tougher Times

MBS & Treasury Markets

UMBS 5.5	99.11	-0.49	10YR	4.301%	+0.127%	4/8/2025 5:00PM EST
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Additional Negative Reprice Risk

MBS have continued selling and are now down more than a quarter point on the day and nearly 3/8ths of a point from the mid-day highs. Lenders who have not yet repriced for the worse are increasingly likely to do so.

10yr yields are up 8.5bps near the highs of the day at 4.26.

ALERT: MBS Down a Quarter Point From Mid Day Highs

MBS MORNING: Liberation Day Volatility Has Come and Gone



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Today's Mortgage Rates

30YR Fixed 6.85% +0.03%

15YR Fixed 6.24% +0.04%

4/8/2025

Mortgage Rates Surge to Highest Levels Since February

While no one can be sure exactly how things will pan out in the long run, the market is currently expressing extreme disapproval of the new tariff plans. While had previously benefited from some of the chaos in the stock market, that ship has sailed. Now, both sides of the market are losing ground (stocks lower, rates higher).

Today's rate increase wasn't nearly as big as yesterday's, but it's no less notable because it officially takes the average 30yr fixed rate to the highest level since late February. This is the biggest 2 day rate increase so far this year, but if you didn't know about the past 4 days, current levels wouldn't look too troubling.

[thirtyyearmortgagerates]

As for motivations, that's a fairly esoteric discussion compared to last week's simple conclusions about investors selling stocks and seeking safety in the bond market (something that pushes rates lower). After all, the opposite correlation is now in effect. Esoteric stuff follows:

Part of the issue is the varying levels of performance between longer and shorter term rates. For example, 10yr Treasury yields are up substantially, but 2 year Treasury yields are actually down a bit.

We can also consider that this week plays host to several big Treasury auctions and investors are hesitant to keep bonds at higher prices (same thing as lower yields/rates) until we get past the auctions.

There's also the matter of future Treasury issuance implications and future demand changes surrounding tariffs. Specifically, if trade decreases and if we're relying on tariffs for revenue, we would need to issue more Treasuries to make up for the revenue shortfall. Treasury issuance puts upward pressure on rates, all else equal.

As for demand (which helps rates move lower), one key source is foreign central banks of countries with strong trade relationships with the U.S. In not so many words, when those countries sell "stuff" to the U.S. they receive dollars, and those dollars ultimately get put to work in U.S. Treasuries for a variety of reasons. At the risk of stating the obvious, if trade relationships are damaged, it implies lower foreign demand for Treasuries and thus, higher rates.

These aren't the only considerations in play (yes, we could talk about inflation implications of tariffs), but they're some of the most important and also some of the most underappreciated by the masses.

Time	Event	Actual	Forecast	Prior
Tuesday, Apr 08				
6:00AM	Mar NFIB Business Optimism Index	97.4	101.3	100.7
1:00PM	3-Yr Note Auction (bl)	58		
2:00PM	Fed Daly Speech ☆			
Wednesday, Apr 09				
7:00AM	Apr/04 MBA Purchase Index	172.7		158.2
7:00AM	Apr/04 MBA Refi Index	961.4		710.4
10:00AM	Feb Wholesale inventories mm (%) ☆	0.3%	0.3%	0.8%
10:30AM	Apr/04 Crude Oil Inventory (ml)	2.553M	2.2M	6.165M
11:30AM	17-Week Bill Auction	4.250%		4.200%
12:30PM	Fed Barkin Speech ☆			
1:00PM	10-yr Note Auction (bl) ★	39		
1:00PM	10-Year Note Auction ★	4.435%		4.310%
2:00PM	FOMC Minutes ★★			

Recent Housing News

- Mortgage Applications Ebbd This Week, But Next Week Could Be a Different Story
- Pending Home Sales Crack Half-Hearted Smile Amid Longer Term Depression
- Purchase Applications Improve; Refinancing Ebbs

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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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