

Not Expecting Fireworks From The Fed

Market Summary: Wednesday, May 7, 2025 - 1:22PM

Powell can't consider cutting or hiking at the moment, and he can't communicate the reasons for that much differently than he already has. All that having been said, sometimes the market is just looking for an excuse to make a move on Fed days. So despite the fact that we don't expect any stunning revelations, volatility can't ever be ruled out.

Latest Video Analysis



10yr Auction to The Rescue

MBS & Treasury Markets

UMBS 5.5	99.55	+0.22	10YR	4.270%	-0.028%	5/7/2025 5:00PM EST
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Not Expecting Fireworks From The Fed

Wednesday begins with bonds battling back from modest overnight weakness (now moving into modestly stronger territory), but not for any particular reason. End of year Fed Funds Rate expectations have been almost perfectly flat so far this week after falling a quarter point in the last week of April, and then jumping more than a quarter point at the end of last week.

That's a script for Powell's press conference today: a tale of two mandates. On the one hand, there are easily imaginable scenarios that result in rate cuts. On the other hand, there is inflation-related uncertainty stemming from tbd trade policy. Last week's stronger-than-expected econ data added to the indecision.

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- UPDATE: Moving Into Positive Territory After 10yr Auction
- MBS MORNING: 2-Way Trading, Slightly Weaker Start

Today's Mortgage Rates

30YR Fixed	6.86%	-0.02%	15YR Fixed	6.19%	-0.02%	5/7/2025
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Mortgage Rates Improve Slightly After Starting Out Flat

were unchanged for the average lender this morning, thanks to a modest improvement in the bond market overnight. Rates were on course to remain mostly flat until the afternoon's scheduled 10yr Treasury auction. The market's reaction to the auction allowed many lenders to revise mortgage rates slightly lower.

Mortgage rates are based on securities that are similar to US Treasuries in many ways. As such, when something happens that impacts Treasuries, the mortgage securities market tends to feel it. This doesn't always prompt an immediate change in mortgage rates because lenders only tend to make mid day changes when the underlying market makes a big enough move.

Today's market movement wasn't exactly massive, but it was enough for most lenders to make an adjustment. In the bigger picture, a strong reception for a 10yr Treasury auction is reassuring for rates in general. That said, it will continue to be economic data and key fiscal developments that dictate momentum going forward.

Economic Calendar

Last Week | This Week | Next Week

Time	Event	Actual	Forecast	Prior
Wednesday, May 07				
7:00AM	May/02 MBA Purchase Index	162.8		146.6
7:00AM	May/02 MBA Refi Index	721		649.0
10:30AM	May/02 Crude Oil Inventory (ml)	-2.032M	-1.7M	-2.696M
2:00PM	Fed Interest Rate Decision ★★	4.5%	4.5%	4.5%
2:30PM	Fed Press Conference ★★			
2:30PM	Powell Press Conference ★★			
3:00PM	Mar Consumer credit (bl)	\$10.17B	\$9.5B	\$-0.81B
Thursday, May 08				
8:30AM	Apr/26 Continued Claims (ml)	1879K	1890K	1916K
8:30AM	Q1 Unit Labour Costs QoQ Final ☆	5.7%	5.1%	2.2%
8:30AM	May/03 Jobless Claims (k) ★	228K	230K	241K
10:00AM	Mar Wholesale inventories mm (%) ☆	0.4%	0.5%	0.5%
11:00AM	Apr Consumer Inflation Expectations ☆	3.6%		3.6%
1:00PM	30-Year Bond Auction ☆			4.813%
1:00PM	30-Yr Bond Auction (bl) ☆		25	

Recent Housing News

- Home Price Appreciation Remains, But Interesting Trend Emerges
- Mortgage Applications Contract Slightly, But Remain Above 2 Year Average
- Existing Home Sales at 5 Month Lows

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Rates Move Up After Stronger Economic Data

Whether you refer to it as "strong," or "not as bad as feared," this week's economic reports were better than the market was prepared for. The result is moderately higher rates. Interest rates are driven by movement in the bond market, and the bond market is always interested in economic data. Occasionally, the economic data can be boring enough or other events can be important enough to cause ...

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