

MARKET SUMMARY

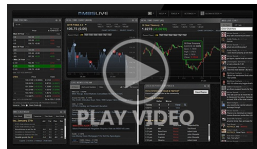
Complete Recap of Today's Market Activity

Lots of Fed Speakers, But The Focus is on China

Market Summary: Friday, May 9, 2025 - 3:24PM

A glance at today's economic calendar quickly reveals that Fed speeches are the only game in town in terms of scheduled events. But what can the Fed say that we didn't already hear from Powell on Wednesday, or 47 other times in other speeches over the past month? Maybe something, but probably nothing earth shattering. Instead, the market is on the edge of its seat as it waits for breaking news from US/China trade talks this weekend. Anticipation is greatly amplified by yesterday's UK/US deal. It's tricky business to clearly define a reaction function here (i.e. would bonds like higher tariffs due to the recession odds, or lower tariffs due to the inflation implications). Just as the Fed can only conclude their mandates are in tension, so too is the bond market's reaction function. Thus, we're left wait and see, because different investors will have different lines in the sand when it comes to which side of the function matters more.

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Surprisingly Big Sell Off Relative to The Inspiration

MBS & Treasury Markets

UMBS 5.5	99.11	0.00	10YR	4.383%	+0.006%	5/9/2025 5:00PM EST
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Heads Up: Down an Eighth of a Point From Highs

Bonds have been almost perfectly flat all day, and we'd still refer to today as flat in the bigger picture.

But amidst that broader sideways grind, MBS have slowly inched down from the AM highs and the gap is now at an eighth of a point in 5.5 coupons. This doesn't constitute any serious negative reprice risk, but could be something to consider for those who were already planning on locking before the weekend and waiting to see if rates would improve.

MBS MORNING: Lots of Fed Speakers, But The Focus is on China

ALERT: Negative Reprices Becoming Likely



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30YR Fixed	6.89%	-0.02%	15YR Fixed	6.21%	-0.01%	5/9/2025
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Mortgage Rates Move Higher After Trade Deal

moved back up to the higher levels seen earlier this week after the official announcement of a trade deal between the U.S. and the U.K.

Most lenders actually began the day fairly close to yesterday's latest levels, but were ultimately forced to raise rates in response to weakness in the bond market.

The rationale for this market reaction can be debated. Some market watchers conclude that a trade deal is simply "good for stocks and bad for bonds" because it's economically bullish. While that sentiment CAN account for some of the movement, it's not the whole story.

Bonds (which dictate rates) have specific concerns regarding inflation, foreign demand, and issuance needs. These are high level topics that are beyond the scope of a daily mortgage rate recap, but suffice it to say "rates have a lot on their minds" when it comes to how trade policy shakes out. Unfortunately, it's sort of a no win situation in the short term. The only exception would have been a full exemption from tariffs.

In the bigger picture, today's mortgage rate increase is unremarkable--sort of average--and it leaves the rate index well below the early April highs, despite being well above the range seen during the month of March.

Time	Event	Actual	Forecast	Prior
Friday, May 09				
6:15AM	Fed Williams Speech ☆			
6:45AM	Fed Barr Speech ☆			
8:30AM	Fed Kugler Speech ☆			
10:00AM	Fed Goolsbee Speech ☆			
11:30AM	Fed Williams Speech ☆			
11:30AM	Fed Waller Speech ☆			
7:45PM	Fed Hammack Speech ☆			
7:45PM	Fed Musalem Speech ☆			
7:45PM	Fed Cook Speech ☆			
Monday, May 12				
12:00AM	Roll Date - UMBS 30YR			
10:25AM	Fed Kugler Speech ☆			
10:30AM	NY Fed Treasury Purchases 4 to 6 yrs (%)		\$75 million	
12:00PM	WASDE Report (%)			
2:00PM	Apr Federal budget, \$ (bl)		\$255B	\$-161B

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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