

MARKET SUMMARY

Complete Recap of Today's Market Activity

(Un)Surprising Reversal After Initial Weakness

Market Summary: Monday, May 19, 2025 - 11:40PM

The sharp overnight losses in stocks and bonds were consistent with a market that didn't have time to process the sort of knee-jerk reaction one would expect from headlines like Moody's US credit rating downgrade. Most of the rest of the domestic session was consistent with the type of reversal one might expect after a knee-jerk reaction to news that wasn't really that newsworthy. As has been exhaustively covered, 2 of the other big 3 ratings agencies had long since taken the US credit rating down a peg, thus limiting the true significance of Friday's news. Bonds ended the day weaker than they were at 3pm last Friday (before the Moody's news), but slightly stronger vs the 5pm levels (15 minutes after the Moody's news).

Latest Video Analysis



(Un)surprising Reversal After Initial Weakness



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MBS & Treasury Markets

| | | | | | | |
|----------|-------|-------|------|--------|---------|----------------------|
| UMBS 5.0 | 96.36 | -0.27 | 10YR | 4.495% | +0.045% | 5/20/2025 5:00PM EST |
|----------|-------|-------|------|--------|---------|----------------------|

Global Bond Audience is Booing US Fiscal Performance

When Moody's announced the surprise cut of the US credit rating on Friday, there were only a few minutes left to trade and all but the latest working US-based traders were even at their desks. The most logical fallout in a scenario like that is for the rest of the world to take its turn piling into the trade as soon as overseas markets opened (not to mention US traders who were already gone for the day on Friday). Unfortunately, logic prevailed overnight. We'd note that Moody's was simply the last of the big 3 to make this change, and that it's not really a groundbreaking development. Rather, the groundbreaking development is playing out behind the scenes as the US government (all of it, red and blue and in between) once again fails to set the country on a sustainable fiscal path. THAT is what the market is protesting. That is why the crowd is booing. Moody's is simply the surly guy who shouted "you suck!" from the back of the audience.

ALERT: Losing More Ground After Moody's Downgrade

ALERT: Negative Reprice Risk Increasing Slightly

Today's Mortgage Rates

| | | | | | | |
|------------|-------|--------|------------|-------|--------|-----------|
| 30YR Fixed | 6.99% | +0.00% | 15YR Fixed | 6.35% | +0.03% | 5/20/2025 |
|------------|-------|--------|------------|-------|--------|-----------|

Mortgage Rates Briefly Over 7% Before Mid-Day Improvement

jumped sharply over the weekend as financial markets reacted to Moody's credit rating downgrade of the U.S. News of the downgrade broke with only minutes left in Friday's market/business day, so most of the response played out when global markets opened again late last night.

The initial reaction involved stock prices moving lower and bond yields moving higher (which can also be characterized as bond market weakness/losses/etc). In general, bond market weakness coincides with higher mortgage rates and this morning was no exception.

Most mortgage lenders are deciding on rates for the day in the 9am-10am ET time frame. Because this was one of the weakest moments for the bond market, mortgage rates were sharply higher at first. The average lender was back over 7% for the 1st time since April 11th, and only the 2nd time in 3 months.

No sooner were these rates being published than the underlying market began moving back in the other direction. Mortgage lenders prefer to only set rates once per day, but will make mid-day updates when things change enough. Today's reversal was more than sufficient to prompt a re-price. After that, the average top tier 30yr fixed rate moved just barely back below 7.0%--still higher than Friday, but much more in line with last week's range.

| Time | Event | Actual | Forecast | Prior |
|-----------------|------------------------------|--------|----------|-------|
| Monday, May 19 | | | | |
| 12:00AM | Roll Date - Ginnie Mae 30YR | | | |
| 8:30AM | Fed Bostic Speech ☆ | | | |
| 8:45AM | Fed Jefferson Speech ☆ | | | |
| 8:45AM | Fed Williams Speech ☆ | | | |
| 10:00AM | Apr CB Leading Index MoM (%) | -1% | -0.9% | -0.7% |
| 1:15PM | Fed Logan Speech ☆ | | | |
| 1:30PM | Fed Kashkari Speech ☆ | | | |
| Tuesday, May 20 | | | | |
| 9:00AM | Fed Bostic Speech ☆ | | | |
| 9:00AM | Fed Barkin Speech ☆ | | | |
| 9:30AM | Fed Collins Speech ☆ | | | |
| 1:00PM | Fed Musalem Speech ☆ | | | |
| 5:00PM | Fed Kugler Speech ☆ | | | |
| 7:00PM | Fed Daly Speech ☆ | | | |
| 7:00PM | Fed Hammack Speech ☆ | | | |

Recent Housing News

- Housing Starts Buoyed By Multi-Family Sector
- Builder Confidence Near Post-Pandemic Lows, But Timing is Everything
- Purchase Demand Moves Back Toward 2 Year High; Refis Hold Steady

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Some Uncertainty at The End of an Otherwise Decent Week

The week began with some challenges for the rate market and a bounce for stocks following the US/China trade deal over the weekend. Stocks held their gains, but rates managed to move back down by the end of the week. Thursday was the only important day in that regard with rates benefiting from weaker Retail Sales data and a well-received speech from Fed Chair Powell. Friday began on an ev...

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