

MARKET SUMMARY

Complete Recap of Today's Market Activity

Treasury Auction Blamed as Bond Vigilantes' Smoking Gun

Market Summary: Thursday, May 22, 2025 - 6:58AM

Vigilante justice! Taking matters into one's own hands! It's a sensational concept when applied to the bond market, but the term hasn't really done us many favors over the years. It happened to work for a headline today because the term is as over-the-top as the notion that today's 20yr auction was some magical "ah ha" moment leading to a massive reprimand of congressional budget negotiations in both stocks and bonds. In actuality, the auction was fairly average-- certainly nothing that warranted the stock/bond swoon, but if markets were looking for an excuse to sell (a smoking gun?), it was one of the only options.



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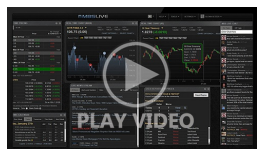
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Treasury Auction Blamed as Bond Vigilantes' Smoking Gun

MBS & Treasury Markets

UMBS 5.5	98.03	+0.00	10YR	4.583%	-0.018%	5/22/2025 10:58AM EST
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Negative Reprices Becoming Likely Despite Stabilization in Bonds

MBS are now down half a point and have been struggling to make progress back in the other direction. 10yr yields are down 9.7bps at 4.583. Both have stabilized sideways, but absent a sharper correction, we'll likely see more lenders pulling the trigger on reprices here.

ALERT: Weakest Levels After 20yr Bond Auction

MBS MORNING: Nothing For Bonds to Trade But Fiscal Disillusionment

Today's Mortgage Rates

30YR Fixed	7.07%	-0.01%	15YR Fixed	6.37%	-0.02%	5/22/2025
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Mortgage Rates Move Up to 3 Month Highs

Two days ago, began the day at 7.04% before mid-day improvements brought the average back down to 6.99%. Today started out in a similar vein with the average lender at 7.05%, but the mid-day movement only made things worse.

In terms of catalyst events, the bond market (and stock market, for that matter) swooned after a scheduled auction of 20yr Treasury bonds. The auction results were weaker than expected, signaling lower-than-expected demand. When demand is lower for Treasuries, it puts upward pressure on bond yields (aka "rates").

Notably, the 20yr auction results were hitting at the same time that some updates were coming out regarding the budget debate in congress. In general, the bond market has not been enthusiastic about how that process has evolved. Bonds were hoping for a tighter leash on spending because lower spending implies lower bond issuance--something that would help rates move lower, all other things being equal.

At this point, all potential iterations of the spending bill involve more spending than bonds wanted. The 20yr auction isn't all that important in the bigger picture, but it was latched onto as evidence of bigger underlying structural concerns.

All that to say: bonds were weak in the morning and even weaker in the afternoon. When bonds move enough during the day, mortgage lenders can adjust their rates for the day. Most lenders did so. By the end of the day, this brought the average up to 7.08%--the highest closing level in just over 3 months.

Time	Event	Actual	Forecast	Prior
Thursday, May 22				
8:30AM	May/10 Continued Claims (ml)	1903K	1890K	1881K
8:30AM	May/17 Jobless Claims (k) ★	227K	230K	229K
9:45AM	May S&P Global Manuf. PMI ☆	52.3	50.1	50.2
9:45AM	May S&P Global Composite PMI ☆	52.1		50.6
9:45AM	May S&P Global Services PMI ★★	52.3	50.8	50.8
10:00AM	Apr Existing home sales (ml) ☆	4M	4.1M	4.02M
10:00AM	Apr Exist. home sales % chg (%) ☆	-0.5%		-5.9%
1:00PM	10-yr TIPS Auction (bl)	18		
2:00PM	Fed Williams Speech ☆			
Friday, May 23				
8:00AM	Apr Building Permits (ml)		1.412M	1.467M
10:00AM	Apr New Home Sales (%) (%)			7.4%
10:00AM	Apr New Home Sales (ml) ☆		0.692M	0.724M
12:00PM	Fed Cook Speech ☆			
2:00PM	Memorial Day Weekend ★★			

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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