

MARKET SUMMARY

Complete Recap of Today's Market Activity

Big Market Reaction but Mortgages Outperform

Market Summary: Thursday, July 3, 2025 - 8:40PM

Today's jobs report would have been bad for rates if it was even in line with expectations. After it came out stronger than expected (especially in terms of the unemployment rate at 4.1 vs 4.3 f'cast), it was off to the races for bond sellers. The short end of the yield curve has the most in common with Fed rate expectations, so it took the most damage, but MBS fared far better. Perhaps that has something to do with the government not issuing MBS to fund the just-passed spending bill or perhaps it is a nod to next week's uncertain levels of demand for the scheduled Treasury auctions. Either way, we won't complain. Friday is closed for the holiday, and next week may as well be a holiday because everyone's waiting for July 15th CPI.



Drew Stiegemeier

Mortgage Banker, Frontier Mortgage

frontierhomemortgage.com/drew

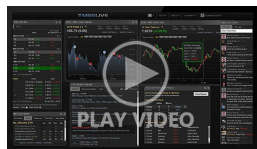
P: (636) 898-0888

M: (618) 779-7507

1406168



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Big Market Reaction, But MBS Outperform

MBS & Treasury Markets

UMBS 5.5	99.64	-0.20	10YR	4.347%	+0.067%	7/3/2025 5:59PM EST
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Jobs Report Comes in Stronger. Bonds React Logically

Apart from the fact that this morning's jobs report contrasted starkly from the slew of anecdotal evidence suggesting a weaker labor market in June, the morning has proceeded almost exactly as expected. We assumed that even an on-target result was worth a bit of bond market weakness given the apparent "lead-off" induced by preceding data. The moderately stronger result (147k vs 110k f'cast) was more than enough to add some emphasis to the sell-off. Add the 0.2% drop in unemployment and it was game over. Are there some "yeah buts" in the data? Sure, but none so striking as to suggest yields should be lower instead of higher today.

One potential saving grace for the bond market (maybe not today, but in the next few months) is that revisions have been much more aligned with the consensus.

ALERT: Bonds Selling Off After Stronger NFP

MBS MORNING: Bonds Think About Rallying on ADP Data, But Already Getting Cold Feet

30YR Fixed	6.75%	+0.02%	15YR Fixed	5.98%	+0.01%	7/3/2025
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Mortgage Rates Rose Less Than Expected After Employment Data

Today brought the hotly anticipated jobs report. This is the "official" job count and unemployment rate data for the U.S. and no other report has as much consistent power to cause volatility in the rate market. Today's was particularly important because a perpetually decent labor market is the main justification for the Fed to wait and see if tariffs have an impact on inflation before proceeding with additional rate cuts.

In other words, if unemployment were rising, the Fed would be cutting rates. Not only did today's report show no rise in unemployment, there was actually a decline from 4.2 to 4.1%, falling well short of an expectation for an increase to 4.3%. In addition, the job count rose to 147k--a notable difference from the forecast consensus of 110k.

With that, the underlying bond market surged toward higher yields. When yields are surging higher, it implies upward pressure on , but the latter didn't take as much damage as the bond market suggested. The average lender was only slightly higher compared to yesterday, thus suggesting lenders were already getting in position for today's data earlier in the week.

This isn't to say lenders knew what was going to happen. Rather, rates had fallen to the lowest levels in several months as of Monday. Lenders could have dropped them even more, but with important data on the way and an extended holiday weekend ahead, they left themselves a bit of a cushion. That cushion helped absorb most of today's bond market movement without the need for big mortgage rate changes.

Time	Event	Actual	Forecast	Prior
Thursday, Jul 03				
8:30AM	Jun Average earnings mm (%) ★	0.2%	0.3%	0.4%
8:30AM	May Trade Gap (bl)	\$-71.5B	\$-71B	\$-61.6B
8:30AM	Jun/21 Continued Claims (ml)	1964K	1960K	1974K
8:30AM	Jun Non Farm Payrolls (k) ★★	147K	110K	139K
8:30AM	Jun/28 Jobless Claims (k) ★	233K	240K	236K
8:30AM	Jun Unemployment rate mm (%) ★★	4.1%	4.3%	4.2%
8:30AM	Jun Participation Rate ☆	62.3%		62.4%
9:45AM	Jun S&P Global Services PMI ★★	52.9	53.1	53.7
9:45AM	Jun S&P Global Composite PMI ☆	52.9	52.8	53
10:00AM	May Factory orders mm (%)	8.2%	8.2%	-3.7%
10:00AM	Jun ISM Biz Activity ★	54.2		50.0
10:00AM	Jun ISM Services Prices	67.5		68.7
10:00AM	Jun ISM Services Employment	47.2		50.7
10:00AM	Jun ISM N-Mfg PMI ★★	50.8	50.5	49.9
11:00AM	Fed Bostic Speech ☆			
2:00PM	Happy 4th!! ★★			
Friday, Jul 04				
12:00AM	Happy 4th!! ★★			

Recent Housing News

- Refis Pick Up Steam as Rate Relief Returns
- Pending Home Sales Data Scores Some Points, But Not Enough to Change The Game
- New Home Sales Drop to Lower End of Range After Hitting The Highs Last Month

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Rates Take a Breather After Surprisingly Strong Jobs Report

After a few good weeks for interest rates, things hit a bit of a speed bump this week thanks to a stronger-than-expected jobs report. The week started quietly. There was no important economic news on Monday, but behind the scenes, there was still plenty going on. Big financial firms often need to “rebalance” their investments at the end of a month or quarter—especially if stoc...

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