MARKET SUMMARY
Complete Recap of Today's Market Activity

No Whammies From PCE

Market Summary: Thursday, July 31, 2025 - 11:35AM

While jobless claims and the Employment Cost Index can be market movers, today's biggest ticket in the 8:30am slot was the monthly PCE Price Index for June. Forecasters are generally more accurate when predicting these numbers because previously released reports reveal a majority of PCE components. That means we have to dig a little in order to find surprises. In today's case, core monthly PCE was 0.256 unrounded versus a median forecast of 0.320 (which looks better than the conventional 0.3 vs 0.3). That good news was tempered by increasingly visible goods inflation along with the knowledge that actual tariff impacts lag the announcement. In light of that fact as well as the lower jobless claims and higher employment costs, bonds are doing a good job by holding modest overnight gains.

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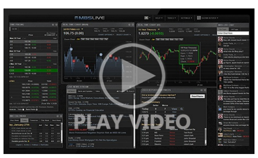

Markets Expected More Dovishness From Powell

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UMBS 5.5	99.41	-0.03	10YR	4.376%	+0.001%	7/31/2025 5:00PM EST

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UPDATE: Minimal Reaction to Modestly Higher PCE

ALERT: Bonds Losing Ground During Powell Press Conference

30YR Fixed	6.75%	+0.00%	15YR Fixed	6.03%	+0.00%	7/31/2025

Mortgage Rates Sideways to Slightly Lower

Wednesday brought another incremental increase in the level and importance of the calendar events with the power to create volatility for rates. Some of the events were economic reports out earlier in the morning. The other 2 events consisted of the Fed's policy announcement and the subsequent press conference with Fed Chair Powell.

The economic data was generally unfriendly for rates. ADP's payroll count was higher than expected which suggests a higher risk that this Friday's official jobs report will follow suit (although the correlation is very weak over short time horizons). Stronger employment is bad for rates, all else equal.

The other key report was GDP. While overall growth picked up to 3.0% in Q2 (much stronger than the 2.4% forecast), there were nuances in the data that showed lower inflation-adjusted spending in the U.S. The aspect of the GDP data that was arguably more troublesome for rates was the increase in the PCE price index.

Because the GDP data is the first release of Q2, it means that June's PCE inflation is part of that quarterly PCE number (PCE, which stands for Personal Consumption Expenditures, is part of GDP if you're not confused enough already). Incidentally, the monthly PCE data for June also comes out tomorrow. In other words, today's quarterly data let us know that one of the 3 months in the quarter was higher than expected. It may turn out to have been April or May (which wouldn't be too bad for rates), but if the increase is concentrated in June's data, it could put more upward pressure on rates tomorrow.

The afternoon's Fed announcement did nothing to change the bigger picture although it did result in lower expectations for Fed rate cuts by the end of the year. The underlying bond market merely returned to the same levels from this morning and most mortgage lenders kept rates unchanged.

Thursday and Friday's economic data will decide our fate from here--especially Friday morning's jobs report.

Economic Calendar

Time	Event	Actual	Forecast	Prior
Thursday, Jul 31				
7:30AM	Jul Challenger layoffs (k)	62.075K		47.999K
8:30AM	Jul/19 Continued Claims (ml)	1946K	1960K	1955K
8:30AM	Jun Personal Income (%)	0.3%	0.2%	-0.4%
8:30AM	Jun Inflation-Adjusted Spending (Consumption) (%)	0.3%	0.4%	-0.1%
8:30AM	Jun Core PCE Inflation (y/y) (%) ★	2.8%	2.7%	2.7%
8:30AM	Jul/26 Jobless Claims (k) ★	218K	224K	217K
8:30AM	Jun Core PCE (m/m) (%) ★★	0.3%	0.3%	0.2%
8:30AM	Q2 Employment costs (%) ★★	0.9%	0.8%	0.9%
9:45AM	Jul Chicago PMI ☆	47.1	42	40.4
Friday, Aug 01				
8:30AM	Jul Participation Rate ☆	62.2%		62.3%
8:30AM	Jul Average earnings mm (%) ★	0.3%	0.3%	0.2%
8:30AM	Jul Unemployment rate mm (%) ★★	4.2%	4.2%	4.1%
8:30AM	Jul Non Farm Payrolls (k) ★★	73K	110K	147K
9:45AM	Jul S&P Global Manuf. PMI ☆	49.8	49.5	52.9
10:00AM	Jun Construction spending (%)	-0.4%	0.0%	-0.3%
10:00AM	Jul ISM Manufacturing Employment	43.4		45.0
10:00AM	Jul Sentiment: 1y Inflation (%) ☆	4.5%	4.4%	5%
10:00AM	Jul Sentiment: 5y Inflation (%) ☆	3.4%	3.6%	4%
10:00AM	Jul Consumer Sentiment (ip) ☆	61.7	62	60.7
10:00AM	Jul U Mich conditions ☆	68.0	66.8	64.8
10:00AM	Jul ISM Mfg Prices Paid ★	64.8	70	69.7
10:00AM	Jul ISM Manufacturing PMI ★★	48.0	49.5	49.0
3:10PM	Fed Daly Speech ☆			

Recent Housing News

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- High Prices and Rates Keep Home Sales Near Cycle Lows
- Mortgage Apps Eke Out Small Gain Thanks to Purchase Activity

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From Snooze to Surge: Big Data Week Could Rock Mortgage Rates

Mortgage rates ended the week at exactly the same levels as last Friday on average. This isn't too surprising given the extremely light and inconsequential nature of this week's scheduled economic data. Things get highly consequential next week with the arrival of the monthly jobs report—a cornerstone of market movement that nearly always generates one of the biggest trading d...

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