"Pause" Ends in Iran, But Probably Not For The Fed

Market Summary: Wednesday, July 29, 2026 - 1:46PM

The big news over the weekend was that the U.S. and Iran paused hostilities--something that led to 2 solid days of gains in the bond market. But in the overnight session, the pause ended as multiple attacks were reported on both sides. Oil rose predictably and bond yields did the same. One "pause" that's less likely to change is the Fed's abstention from hiking or cutting in 2026--at least not today. That may seem like a strong claim given futures pricing showing a 36% chance of a hike today. While a hike is in the realm of possibility, it's not in the 1 in 3 realm. That number represents an uncertainty premium compounded by the new forward guidance regime and the highly fluid nature of fuel price implications for additional inflation. Nonetheless, the fact that a third of the futures market is positioned for a hike means there's higher odds of volatility at this meeting compared to a normal July Fed meeting (usually pretty sleepy, so it's not necessarily a high bar).

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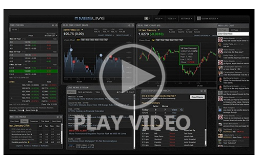

Giving Peace (And Bonds) a Chance

MBS & Treasury Markets

UMBS 5.5	99.26	-0.21	10YR	4.645%	+0.038%	7/29/2026 11:44AM EST

New Lows

Selling has been fairly gradual, but bonds are now at the weakest levels of the day. 10yr yields are up 4.1bps at 4.648. MBS are down 6 ticks (.19) and at 5 ticks (.16) from some lenders rate sheet print times. As such, the jumpier lenders could already be considering negative reprices.

MBS MORNING: "Pause" Ends in Iran, But Probably Not For The Fed

MBS MORNING: Another Slightly Stronger Start

Today's Mortgage Rates

30YR Fixed	6.78%	+0.02%	15YR Fixed	6.32%	+0.01%	7/29/2026

Mortgage Rates Roughly Unchanged Versus Friday's Lows

After bottoming out around 6.5% in late June, moved steadily higher this month, ultimately hitting 6.85% last Thursday--the highest level in over a year. There was a modest recovery on Friday with a fair amount of intraday changes from the average mortgage lender.

Because rates are based on bonds, it's worth noting that bonds are in better shape today compared to Friday's latest levels. But if we use Friday's stronger mid-day levels as a baseline, bonds are just barely stronger. As such, it's no surprise to see mortgage rates just barely lower.

The key consideration for the bond market over the weekend was the announcement of a pause in the fighting in Iran. This helped oil prices move lower, thus lowering inflation implications and bond yields. This is the financial market's way of saying can also come down.

The caveat is of course that a resurgence of fighting in Iran could cause oil and inflation expectations to rise again, thus putting renewed pressure on rates. In addition, Wednesday's Fed announcement is also a potential source of volatility. The Fed is not expected to hike or cut, but the market is less convicted than normal about the Fed's likely course of action. That means the result will be somewhat surprising to a larger share of the market than normal, and that's a recipe for volatility.

Economic Calendar

Time	Event	Actual	Forecast	Prior
Wednesday, Jul 29				
7:00AM	Jul/24 MBA Refi Index	723.1		802.3
7:00AM	Jul/24 Mortgage Market Index	247.2		264.0
7:00AM	Jul/24 MBA Purchase Index	159.8		165.8
10:30AM	Jul/24 Crude Oil Inventory (ml)	-7.167M	-1.3M	2.011M
11:30AM	2-Year FRN Auction (%)	0.050%		0.079%
11:30AM	2-Yr Note Auction (bl)	30		
2:00PM	Fed Interest Rate Decision ★★	3.75%	3.75%	3.75%
2:30PM	Fed Press Conference ★★			
2:30PM	Warsh Press Conference ★★			
Thursday, Jul 30				
8:30AM	Jul/25 Jobless Claims (k) ☆		200K	187K
8:30AM	Jul/18 Continued Claims (k) ☆		1800K	1796K
8:30AM	Q2 Core PCE Prices QoQ ☆		3.5%	4.4%
8:30AM	Q2 GDP Final Sales (%)			1.9%
8:30AM	Q2 GDP (%) ★		2.1%	2.1%
8:30AM	Jun Core PCE (m/m) (%) ★		0.2%	0.3%
8:30AM	Jun Core PCE (y/y) (%) ★		3.3%	3.4%
8:30AM	Q2 PCE Prices (Q/Q) ☆			4.6%
8:30AM	Jun PCE prices (m/m) (%) ☆		-0.1%	0.4%
8:30AM	Jun PCE (y/y) (%) ☆		3.7%	4.1%
9:20AM	NY Fed Bill Purchases 1 to 4 months (%)		$5.179 billion	