MARKET SUMMARY

Complete Recap of Today's Market Activity

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

Market Summary: Wednesday, July 29, 2026 - 4:20PM

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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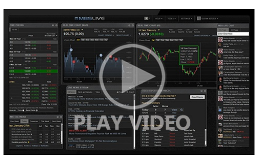

Giving Peace (And Bonds) a Chance

MBS & Treasury Markets

UMBS 5.5	99.45	-0.02	10YR	4.633%	+0.026%	7/29/2026 2:14PM EST

Negative Reprice Risk Increasing

MBS are now at new lows for the day with 5.5 coupons down 10 ticks (.31) in total and 5-6 ticks (.16-.19) from the morning price plateau. Most lenders could technically justify a negative reprice at this point, but especially those who repriced for the better this afternoon.

ALERT: Lenders Who Dropped Rates After Fed May Need to Reprice

COMMENTARY: Here's What Changed in The New Fed Announcement

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

Mortgage Rates Slightly Higher Despite No Fed Rate Hike

Heading into today's Fed announcement, futures markets indicated roughly a 1 in 3 chance that the Fed would hike rates. They did not. This seems like it should have been good news for rates, but there's a catch.

Rates exist on a spectrum defined by "duration." Specifically, there are different rates for different lengths of loans. The Fed Funds Rate is relevant to loans of the shortest duration (mostly overnight lending between the largest financial institutions). , meanwhile, are more closely linked to longer term loans--bonds with durations that average 5-7 years.

When a Fed decision or the Fed outlook is actively being traded, we often see big divergences between the shortest-term rates and the longest. Today's reaction is a prime example. 2-year Treasuries (short enough to get some benefit from the Fed holding rates steady) fell noticeably. But longer term rates launched higher.

Why?

Warsh basically told the market that he doesn't need to hike if the market is going to do it for him. And because short-term bonds have to stay more closely linked to the Fed Funds Rate, it's longer-term bonds that can actually accommodate Warsh's request.

Mortgages are long enough to see a bit of damage from this trading dynamic, thus the moderate increase in today's average 30yr fixed rates. It's also worth mentioning that the day got off to a challenging start for rates due to overnight increases in oil prices (which have been closely linked to rate movement during the Iran war).

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	