MARKET SUMMARY

Complete Recap of Today's Market Activity

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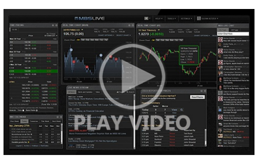
What's Up With Today's Paradoxical Fed Reaction?

Market Summary: Thursday, July 30, 2026 - 1:26AM

Tough day for the casual observer to try to make sense of what happened. There's even some disagreement between the not-so-casual observers. Let's focus on what we can know for sure. The Fed didn't hike. The market was pricing a 1 in 3 chance of a hike, so the shortest end of the curve logically rallied on that. Longer term rates rallied a bit too, at first. No surprises as of 2:30pm. Warsh's prepared remarks weren't significant, and the rally remained intact. Things began to change rapidly when he suggested looking beyond PCE to a broader set of inflation data to achieve the 2% target. While that could speak to a genuine desire to improve the Fed's understanding of inflation, the market could also view it as an excuse to avoid hiking. He also suggested that there was less urgency to consider a hike because the bond market was already doing the Fed's job by moving toward higher rates. Traders could also view this as an excuse to avoid hiking. Taken together, cynical traders might even be thinking that Warsh will continue to talk tough on inflation, but also continue forcing the long end of the yield curve to do the Fed's heavy lifting. In May, we warned that the long end would quickly punish any perceived attempt to keep the short end artificially lower and today was the first day where that offered the cynics a shred of evidence. NOTE: we take no position on whether the cynics are right or wrong, but this is the most obvious way to justify an otherwise excessively paradoxical reaction--ESPECIALLY when we consider that bonds stopped selling the moment the press conference ended.

Latest Video Analysis



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MBS & Treasury Markets

UMBS 5.5	99.19	-0.07	10YR	4.699%	+0.018%	7/29/2026 11:23PM 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

Last Week | This Week | Next Week

Time	Event	Actual	Forecast	Prior
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	
Friday, Jul 31				
8:30AM	Q2 Employment costs (%) ★★		0.8%	0.9%
9:45AM	Jul Chicago PMI ☆		56	56.7
10:00AM	Jul U Mich conditions ☆		54.9	47.7
10:00AM	Jul Consumer Sentiment (ip) ☆		54.0	49.5
10:00AM	Jul Sentiment: 1y Inflation (%) ☆		4.2%	4.6%
10:00AM	Jul Sentiment: 5y Inflation (%) ☆		3.3%	3.3%