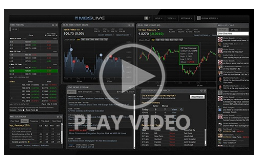
Japan Currency Intervention, Oil, and Data Causing Some Selling

Market Summary: Friday, July 31, 2026 - 2:57PM

Japan's Ministry of Finance (MOF) and central bank (BOJ) are a bit more closely linked than Treasury and the Fed. For example, the MOF can instruct the BOJ to sell a bunch of securities to pop up the value of domestic currency. They did this in relatively grand fashion yesterday, but the selling didn't appear to involve Treasuries (as it sometimes does). Now in today's overnight session, there was another Yen-specific spike and this time, it lines up with the start of selling pressure in Treasuries. It's not extreme, and it correlated with Iran headlines causing oil prices to rise. If anything, the timing actually lines up better with oil. Last but not least, this morning's ECI data added a small but measurable amount of selling. 10yr yields are flirting with 4.7 and MBS are down just over an eighth--not massive weakness considering the inputs.

Latest Video Analysis



Bullets Dodged

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MBS & Treasury Markets

UMBS 5.5	98.95	-0.36	10YR	4.736%	+0.063%	7/31/2026 12:54PM EST

More Yen Intervention. New Lows For MBS

There's been another wave of Treasury selling that lines up with another surge in Yen values. Based on this morning's headlines, this suggests large scale efforts on the part of US institutions to sell Treasuries and buy JPY-denominated debt.

MBS are definitely not immune. 5.5 coupons are now down 3/8ths on the day and roughly an eighth of a point since many lenders' rate sheet print times.

Given that lenders were forced to price into a sell-off this morning, we'd expect reprice thresholds to be a bit bigger than normal. Still, if you were planning on locking today, there's no longer any sense in waiting for rates to improve.

ALERT: Quickly Moving to New Lows

MBS MORNING: Japan Currency Intervention, Oil, and Data Causing Some Selling

Today's Mortgage Rates

30YR Fixed	6.83%	+0.06%	15YR Fixed	6.32%	+0.01%	7/31/2026

Mortgage Rates Back Near Long-Term Highs

To be fair, haven't been far from their long-term highs in over a week, but today's 30yr fixed index level of 6.83% is functionally equivalent to the actual long-term high of 6.85% seen on July 23rd.

Higher rates are driven by weakness in the bond market. The latter can happen for many reasons. Sometimes those reasons are as simple as an economic report showing stronger job growth or higher inflation. Other times, the reasons are more esoteric.

Today's bond market weakness may have been modestly influenced by this morning's Employment Cost Index, but the bigger issue was definitely in the esoteric category. It involved behind the scenes intervention in forex on the part of the Treasury Department and its Japanese counterpart (Japan's Ministry of Finance).

In not so many words, Japan occasionally sells dollar-denominated bonds in order to buy Yen-denominated bonds in order to make its own currency more valuable. Today, the U.S. did the same in order to take some control of that narrative and have a say in the bonds that were being sold. Either way, bond selling = higher rates, all else equal.

[thirtyyearmortgagerates]

Economic Calendar

Last Week | This Week | Next Week

Time	Event	Actual	Forecast	Prior
Friday, Jul 31				
8:30AM	Q2 Employment costs (%)	0.9%	0.8%	0.9%
9:45AM	Jul Chicago PMI	57.6	56	56.7
10:00AM	Jul U Mich conditions	54.8	54.9	47.7
10:00AM	Jul Consumer Sentiment (ip)	55.2	54.0	49.5
10:00AM	Jul Sentiment: 1y Inflation (%)	4.2%	4.2%	4.6%
10:00AM	Jul Sentiment: 5y Inflation (%)	3.3%	3.3%	3.3%
Monday, Aug 03				
9:45AM	Jul S&P Global Manuf. PMI		53.8	53.9
10:00AM	Jul ISM Mfg Prices Paid		70	73.0
10:00AM	Jul ISM Manufacturing PMI		54	53.3
10:00AM	Jul ISM Manufacturing Employment			49.7
10:00AM	Jun Construction spending (%)		0.2%	0.1%
2:00PM	Loan Officer Survey			