Commentary Week of Oct. 26:

The Federal Reserve met and announced a 25bp cut to its overnight lending rate, bringing its benchmark rate to a targeted range of between 3.75% to 4%. This decrease was largely expected and markets had already priced in this foregone conclusion. What did catch economists and traders off guard was that policymakers indicated a December rate cut is far from certain. This caused a slight spike in mortgage rates and had experts reversing course with a December 25 bp cut now priced in at 69% (31% of the market believes rates will be left unchanged in December).

The increase in mortgage rates is due to the increased market volatility in the Fed remarks and shows that the 25bp October rate cut had already been priced into mortgages.

Across the globe, The Reserve Bank of Australia, the ECB, and the Bank of Japan all kept their benchmark rate unchanged despite fears of inflation (and some might say political pressure). Most of the decisions to hold rates steady were split decisions -- and while the majority voted to hold steady, most dissenters of the majority sided with an increase in rates.

| MEETING INFORMATION | | | | | | PROBABILITIES | | |
|---|---|---|---|---|---|---|---|---|
| MEETING DATE | CONTRACT | EXPIRES | MID PRICE | PRIOR VOLUME | PRIOR OI | EASE | NO CHANGE | HIKE |
| 10 Dec 2025 | ZQZ5 | 31 Dec 2025 | 96.2400 | 55,345 | 207,508 | 69.0 % | 31.0 % | 0.0 % |