

# MBS & TREASURY MARKETS

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## ALERT: Slightly Weaker After Fed Dots Show Only 1 Cut in 2024

- FED OFFICIALS' MEDIAN VIEW OF FED FUNDS RATE AT END-2024 5.1% (PREV 4.6%)
- FED: DOES NOT EXPECT IT WILL BE APPROPRIATE TO REDUCE POLICY TARGET RANGE UNTIL GAINING GREATER CONFIDENCE INFLATION IS MOVING SUSTAINABLY TOWARD 2%
- FED OFFICIALS' MEDIAN VIEW OF FED FUNDS RATE IN LONGER RUN 2.8% (PREV 2.6%)
- FED: INFLATION HAS EASED OVER THE PAST YEAR BUT REMAINS ELEVATED
- ED: RISKS TO ACHIEVING POLICY GOALS HAVE MOVED TOWARD BETTER BALANCE
- FED PROJECTIONS IMPLY 25 BPS OF RATE CUTS IN 2024 FROM CURRENT LEVEL, ANOTHER 100 BPS IN 2025

No major surprises in the Fed announcement or dot plot. We knew they would be pricing in fewer rate cuts in 2024. The median view technically moved up to 5.125 from 4.625, but notably, 5.125 is also the lowest possible rate seen at the end of the year.

Before and After Dot Plot Comparison

| Rate | 2024       |     | 2025       |     | 2026       |     | LONGER RUN |     |
|------|------------|-----|------------|-----|------------|-----|------------|-----|
|      | MAR        | JUN | MAR        | JUN | MAR        | JUN | MAR        | JUN |
| 5.5  |            |     |            |     |            |     |            |     |
| 5.25 | •••••      |     | ••         |     |            |     |            |     |
| 5.0  | ••••••••   |     |            |     |            |     |            |     |
| 4.75 | •••••••••• |     | •          |     | ••         |     |            |     |
| 4.5  | •••••••••• |     |            |     |            |     |            |     |
| 4.25 | •          |     | •••••      |     |            |     |            |     |
| 4.0  |            |     | •••••••••• |     | •          |     |            |     |
| 3.75 |            |     | ••••••••   |     |            |     | ••         |     |
| 3.5  |            |     | •••••••    |     | ••••       |     | ••         |     |
| 3.25 |            |     | •          |     | ••••       |     |            |     |
| 3.0  |            |     | ••         |     | •••••••••• |     | ••         |     |
| 2.75 |            |     |            |     | •••••••    |     | ••••       |     |
| 2.5  |            |     | •          |     | ••         |     | •••••••••• |     |
| 2.25 |            |     |            |     | •••        |     | ••         |     |



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In other words, the dots are very [hawkish](#), and they account for the modest weakness seen after the announcement.

10yr yields are still down 11bps on the day but up several bps from the lows at 4.29.

MBS are still up more than half a point, but down a few ticks from the highs. Negative reprices are a consideration unless these losses reverse course soon.