

MBS & TREASURY MARKETS

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MBS Recap: What Matters in Wednesday's Fed Announcement?



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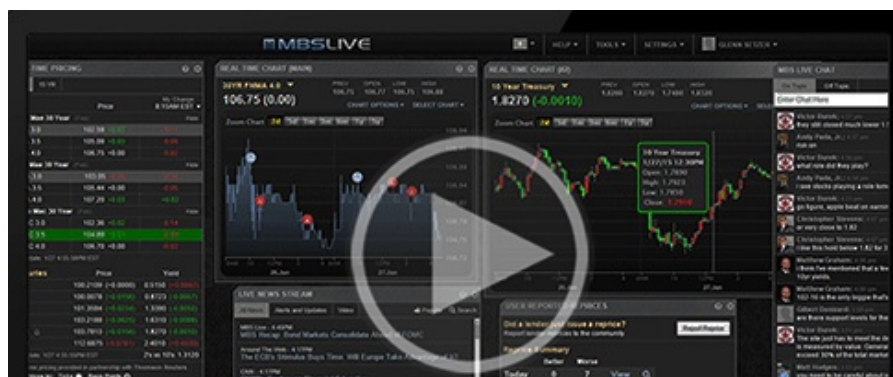
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What Matters in Wednesday's Fed Announcement?

MBS Recap | Matthew Graham | 3:38 PM

The ongoing disagreement in the market regarding the size of Wednesday's Fed rate cut makes it a very interesting Fed meeting. That said, the size of the cut at this meeting probably has less to do with the market reaction than the dot plot landscape (i.e. the changes in each Fed member's rate outlook as communicated in the Summary of Economic Projections). Powell's 2:30pm press conference will also add clarity. As always "volatility" does not have a directional connotation. Things could go either way, and may do so several times before finally picking a side.





Watch the Video

Update

8:36 AM Slightly Weaker After Retail Sales

MBS Morning

11:30 AM Some Selling After Data, But Does it Matter? (Spoiler Alert: No)

Econ Data / Events

- ○ Retail Sales
 - 0.1 vs -0.2 f'cast, 1.0 prev
- Industrial Production
 - 0.8 vs 0.2 f'cast, -0.9 prev
- NAHB Builder Confidence
 - 41 vs 40 f'cast, 39 prev

Market Movement Recap

- 11:06 AM Generally weaker after Retail Sales and Industrial Production. MBS down an eighth and 10yr up 1.9bps at 3.638.
- 01:45 PM sideways at weaker levels. MBS still down an eighth and 10yr up 2.7bps at 3.646
- 03:15 PM Bonds not looking like they want to sell anymore today. MBS down 3 ticks (.09) and 10yr up 2bps at 3.639

Lock / Float Considerations

- The potential for short term volatility in the wake of Wednesday's Fed announcement cannot be overstated. The directionality has as much to do with the dot plot and press conference as anything. The 25bp vs 50bp rate cut may not determine which way rates go. Lenders may be more conservative than normal in the morning and they may shut off locks preemptively during the Fed time window (and slightly before). If you don't want to float through the Fed, make sure you lock early. It's hard to

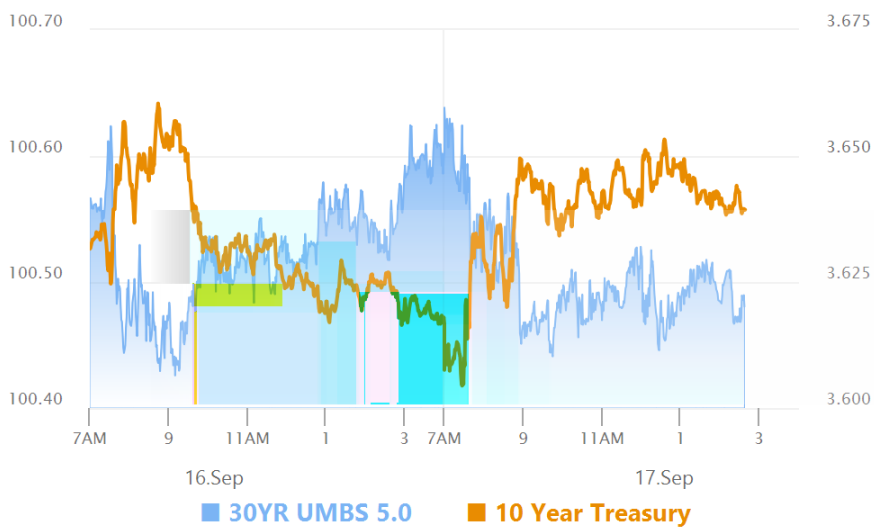
imagine any lenders getting too much more aggressive between Tuesday night and Wednesday morning without major exogenous motivation.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - o 3.95
 - o 3.87
 - o 3.82
 - o 3.77
 - o 3.72

- Floor/Resistance
 - o 3.58
 - o 3.66

MBS & Treasury Markets



MBS

30YR UMBS 5.0	
30YR UMBS 5.5	
30YR GNMA 5.0	
15YR UMBS-15 5.0	+

US Treasuries

10 YR	3.640%	+0.021%
2 YR	3.590%	+0.037%
30 YR	3.952%	+0.022%
5 YR	3.432%	+0.029%

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