

## The Wild Week That Wasn't

Credit where credit is due: the rate market did an outstanding job of getting out in front of the Fed rate cut as well as the changes to the Fed's rate cut outlook as communicated in the summary of economic projections (SEP).

The SEP contains the proverbial "dot plot" that shows each Fed member's base case for where the Fed Funds Rate will be over the next few years. It has a strong tendency to cause volatility for bonds/rates. This week, however, it didn't have a big impact.

If anything, the dot plot was helping point toward slightly lower rates on Fed day, but Fed Chair Powell's press conference took things back in a more neutral direction. Those counterbalancing forces meant that this week's potentially volatile mortgage rate reaction ended up being remarkably flat all things considered. Granted, rates did move a bit higher on Wednesday and Thursday, but a modest recovery on Friday left the week-over-week change almost perfectly flat. That is a stunning level of stability considering the stakes.

Another way to look at all of the above would be to say the Fed's friendlier rate outlook was well understood by the market coming into the week and it would take major changes in economic data to drive the next big picture move. To that end, early October is the most reliable source of big ticket economic data. Next week has a few potentially important reports as well, but not until Thursday and Friday.

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