

MBS & TREASURY MARKETS

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MBS Recap: Dots and Powell Were Much Less Friendly Than Markets Expected



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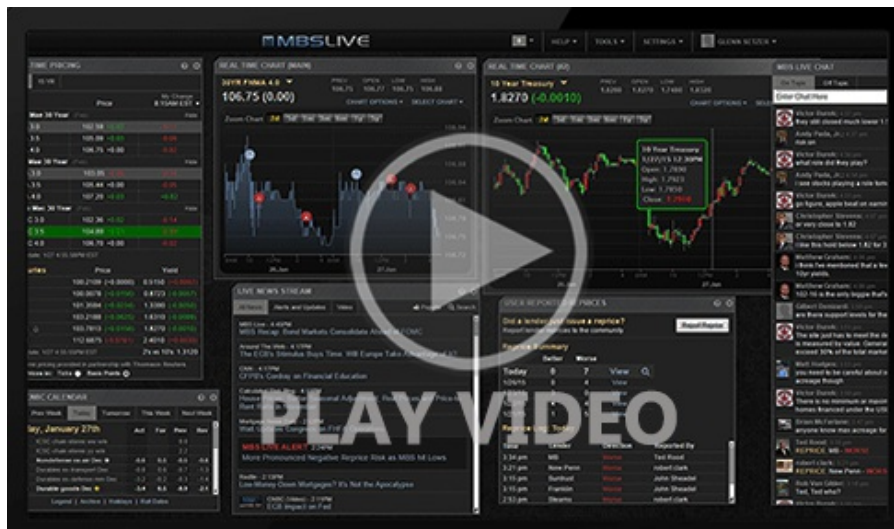
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Dots and Powell Were Much Less Friendly Than Markets Expected

MBS Recap | Matthew Graham | 5:01 PM

We knew the bond market was expecting a **hawkish** shift in the dot plot (the chart that shows each Fed member's expectation for the Fed Funds Rate in the coming months/years), and while there is now easy way to know exactly how big the expected shift was, it was clearly not as big as the shift we actually saw! The median dot moved from the low 3% range for the end of 2025 to just under 4% ([here's the before and after](#)). On top of that, Powell's press conference offered no reprieve as he confirmed the Fed was entering a new policy-making phase marked by the possibility of pausing rate cuts and the reality that current rates are closer to neutral than previously believed. Bonds tanked immediately upon the release of the dots and then tanked some more as Powell began answering questions 30 minutes later.



Alert

10:46 AM Down an Eighth From AM Highs

MBS Morning

11:31 AM Stronger Start After Initial Weakness

Commentary

2:01 PM Here's What Changed in The New Fed Announcement

Alert

2:02 PM First Move Following Fed is Weaker

Alert

2:56 PM Negative Reprices Are Highly Likely

Econ Data / Events

- ○ Housing Starts
 - 1.289m vs 1.34m f'cast, 1.312m prev
- Building Permits
 - 1.505m vs 1.43m f'cast, 1.419m prev

Market Movement Recap

- 10:04 AM weaker overnight with Europe, but recovering in early domestic trading. MBS up 2 ticks (.06) and 10yr down 1bp at 4.391
- 12:47 PM 10yr down 1.5bps at 4.386. MBS up 1 tick (.03).
- 02:13 PM Sharply weaker after Fed announcement (and dot plot). MBS down a quarter point and 10yr up 4.7bps at 4.447
- 02:57 PM More losses during Powell Press Conference. MBS down almost half a point and 10yr up 8.5bps at 4.486
- 03:38 PM How low can we go? MBS down more than 5/8ths. 10yr up 10.3bps at 4.505

Lock / Float Considerations

- All bets are off until further notice following the Fed day rout. That said, it has been and continues to be the case that any meaningful improvement in rates will require downbeat economic data and softer inflation. At this point in the year, we're waiting until early January for the next major shoes to drop (NFP and CPI, specifically).

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - o 4.57
 - o 4.50
- Floor/Resistance
 - o 4.20
 - o 4.30
 - o 4.35
 - o 4.43

MBS & Treasury Markets



MBS

30YR UMBS 5.5
30YR UMBS 6.0
30YR GNMA 5.5
15YR UMBS-15 5.0

US Treasuries

10 YR 4.518% +0.117%

2 YR
30 YR
5 YR

4.361%
4.698%
4.405%

+0.104%
+0.108%
+0.141%

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