

MBS & TREASURY MARKETS

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UPDATE: CORRECTION: Not Dots. QT Tapering

The previous post-Fed update focused on the dot plot, but the before and after chart was not accurate. This is the real version, and much more in line with our expectations for a 'light shuffling' of dots.

Before and After Dot Plot Comparison

Rate	2025		2026		2027	
	DEC	MAR	DEC	MAR	DEC	MAR
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			•		•	



Brant Phillips
 President, Colten Mortgage
www.coltenmortgage.com
 M: 3039090411
 6021 S. Syracuse Way, Suite 104
 Greenwood Village CO 80111
 NMLS#6122
 Company NMLS#14210



This would imply the market movement motivation is instead coming from the announcement of the Fed tapering the quantitative tightening in Treasuries. In other words, they will be able to reinvest more of the balance sheet proceeds that had previously been running off into the void. Simplest brass tacks: the Fed can buy more bonds.