

MBS & TREASURY MARKETS

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MBS Recap: Post-Fed Rally is "Nice" But Not Quite Exciting



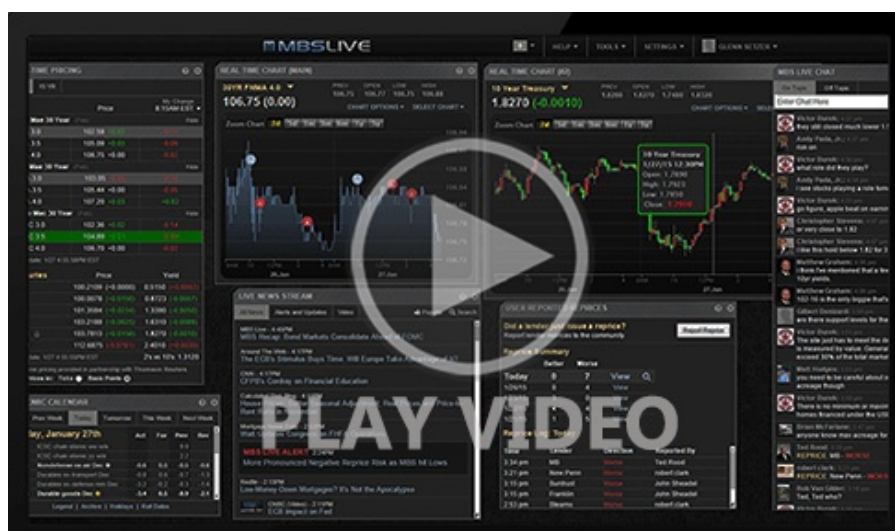
KV Mortgage



Post-Fed Rally is "Nice" But Not Quite Exciting

MBS Recap | Matthew Graham | 4:19 PM

In a small vacuum, today's Fed announcement had a noticeably positive impact on bonds despite yielding "just another day" vibes in the bigger picture. Traders reacted to some combination of a reasonably steady dot plot and the announcement of slower balance sheet shrinkage (which, in turn, implies more bond buying in the short term at the expense of a longer wait before the Fed fully reinvests its balance sheet proceeds). If you don't understand that last part, don't worry. It's arcane. It is basically a technical adjustment in the pace, but not in the destination. The bottom line is that the adjustment was mildly friendly for bonds today, even if it was a technical adjustment and not an indication of easier monetary policy.



Update

10:31 AM Down an Eighth From AM Highs

MBS Morning

12:34 PM Bring on The Dots

Commentary

2:00 PM Here's What Changed in The New Fed Announcement

Update

2:03 PM First Move is Stronger After Fed Dots Drop for 2025

Update

2:20 PM CORRECTION: Not Dots. QT Tapering

Market Movement Recap

- 10:34 AM Roughly unchanged overnight and slightly weaker in the past hour. MBS down an eighth and 10yr up 1.6bps at 4.302
- 01:00 PM Sideways since the last update. MBS down 3 ticks on the day and 10yr up 2.4bps at 4.311
- 02:25 PM Stronger after Fed announcement (greatly slowing the pace of Treasury tightening). MBS up 2 ticks (.06) and 10yr down 1.3bps at 4.274
- 03:41 PM Holding gains after Powell press conference. MBS up 5 ticks (.16) and 10yr down 3.4bps at 4.253

Lock / Float Considerations

- Bonds/rates have generally been in consolidation mode after hitting the best levels in early March. That's been mostly a sideways affair, but a breakout in either direction is possible. While there was a risk of a breakout associated with the Fed announcement, (and while rates technically broke out to the downside), it's easier to make a case that the consolidation pattern now merely shifts to a trading range (less of a triangle and more like a rectangle). This has limited relevance for locking/floating, but it does give the risk-tolerant crowd some more room to maneuver before hitting stop-loss ceilings. The risk-averse crowd is happy to lock the lowest rates in over a week and nearly the lowest rates in several months.

Technical/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - 4.57
 - 4.50
 - 4.40
 - 4.34
- Floor/Resistance
 - 4.05
 - 4.12
 - 4.19

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 | 4.245% | -0.041% |
| 2 YR | 3.978% | -0.061% |
| 30 YR | 4.555% | -0.030% |
| 5 YR | 4.025% | -0.052% |

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