

# MBS & TREASURY MARKETS

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



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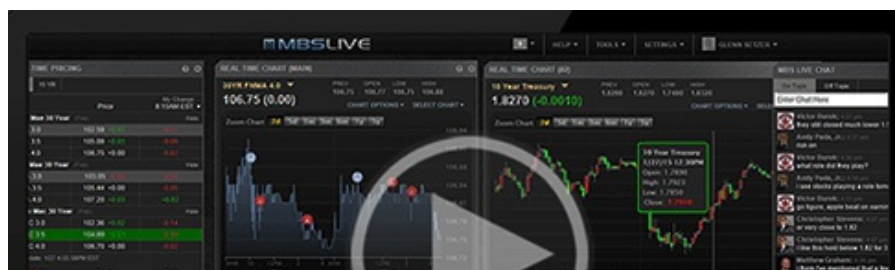
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## Post-Fed Rally is "Nice" But Not Quite Exciting

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.





Watch the Video

## 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 bullish) with some indication that the Fed's tightening path was less aggressive than expected.

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.

## Technicals/Trends in 10yr (why 10yr)

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