

MBS & TREASURY MARKETS

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ALERT: Losing More Ground After Moody's Downgrade

This news isn't as big as it may sound but Moody's just downgraded the US credit rating to Aa1 from AAA. In a statement, Moody's said "we recognize the US' significant economic & financial strengths, and believe these no longer fully counterbalance decline in fiscal metrics" and "we do not believe material multi-year reductions in mandatory spending to result from the current fiscal proposals under consideration."

Moves like this aren't unheard of surrounding some of the more heated budget and debt ceiling battles, but markets tend to trade it nonetheless. This particular example is no doubt exacerbated by late Friday [liquidity](#).

MBS are now down 7 ticks (.22) on the day and roughly 3/8ths from AM highs. Lenders who are still in the office and who haven't already repriced for the worse are increasingly likely to do so.



Matthew M. Loan

Senior Loan Officer,
Mortgage Company, LLC.

mbslive.net

P: (704) 867-5309

M: (980) 867-5309

1050 W. Main St.
Charlotte NC 28031

NMLS: #987654321



Christina "Demo"
Realtor

Managing Partner, Real
Estate Company, LLC.

mbslive.net

P: (704) 555-1212

M: (980) 555-1212

social+test@mbslive.net

12954 S. Broad St.
Charlotte NC 28031



