MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

MBS Recap: Fed Threads Needle of Apathy



Paul E Smith Owner, Main Street Mortgage Company

www.texasmainstreet.com P: (713) 528-1245 M: (713) 480-7385

3100 Richmond Ave Houston TX 77098 MSMC NMLS 296814 Paul E Smith NMLS 193580



Fed Threads Needle of Apathy

MBS Recap Matthew Graham | 4:56 PM

Today marked one of only 4 days of the year with an updated Fed dot plot. When it came out, there was a fairly pitiful volume response relative to other dot plot days and an even more underwhelming level of volatility in the bond market. It wasn't until almost 45 minutes later that bonds showed actual signs of life in response to Fed Chair Powell saying flat-out that they'll be able to make a better decision if they wait a couple of months. But even after that modest bounce in bond yields, we were just barely getting back to unchanged levels on the day. Bottom line, the Fed easily threaded the needle of bond market apathy--not too surprising given that it's a wide eye at the moment, but definitely not a given on dot plot day.

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Watch the Video

MBS Morning 10:47 AM Once Again: Today is Not About a Fed Rate Cut Commentary 2:00 PM Here's What Changed in The New Fed Announcement Update 2:04 PM Mixed Reaction so Far to Mixed Dot Plot Alert 2:53 PM Weakest Post-Fed Levels Alert 3:01 PM A Bit Weaker Now (And Possible Reprice Risk) 4:43 PM

Econ Data / Events

- • Jobless Claims
 - 245k vs 245k f'cast, 250k prev
 - Continued Claims
 - 1945k vs 1940k f'cast, 1951k prev
 - Building Permits
 - 1.393m vs 1.430m f'cast
 - Housing Starts
 - 1.256m vs 1.36m f'cast

Market Movement Recap

09:28 AM Modestly stronger overnight and little-changed after econ data. MBS up 2 ticks (.06) and 10yr down 1.8bps at 4.366

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11:21 AM Slightly friendly lead-off ahead of Fed. MBS up 6 ticks (.19) and 10yr down 3.3bps at 4.351

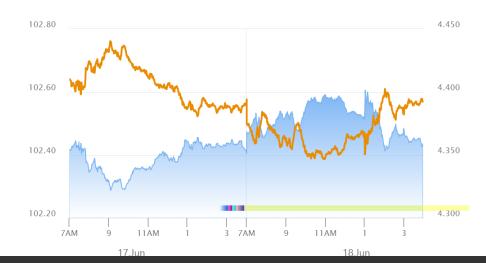
- 02:15 PM Almost no reaction to Fed so far. MBS up an eighth and 10yr down 1.5bps at 4.369
- O3:22 PM A bit of weakness during press conference, but leveling off now. MBS still up 1 tick (.03) and 10yr up less than 1bp at 4.386

Lock / Float Considerations

Fed day was the apex of calendar event risk for rates this week. Bonds are closed on Thursday, and Friday will be a low volume, illiquid wild card of a day. Risk/reward is fairly well balanced here as Treasuries, MBS, and mortgage rates all remain rangebound until they're not anymore.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - **4.64**
 - **4.48**
- Floor/Resistance
 - **3.99**
 - ° 4.05
 - **4.12**
 - **4.19**
 - **4.34**
 - 4.40



MBS & Treasury Markets

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30YR UMBS 5.5 3 Month	10 Year Treasury	
	MBS	
30YR UMBS 5.5		
30YR UMBS 6.0		+
30YR GNMA 5.5		
15YR UMBS-15 5.0		
	US Treasuries	
10 YR	4.391%	+0.007%
2 YR	3.941%	-0.012%
30 YR	4.893%	+0.003%
5 YR	3.990%	-0.001%

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