

MBS & TREASURY MARKETS

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MBS Recap: Fed Threads Needle of Apathy



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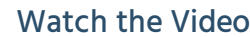


Fed Threads Needle of Apathy

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.





10:47 AM Once Again: Today is Not About a Fed Rate Cut

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

2:04 PM Mixed Reaction so Far to Mixed Dot Plot

2:53 PM Weakest Post-Fed Levels

3:01 PM A Bit Weaker Now (And Possible Reprice Risk)

4:43 PM

- - 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

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

- 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
- 03:22 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

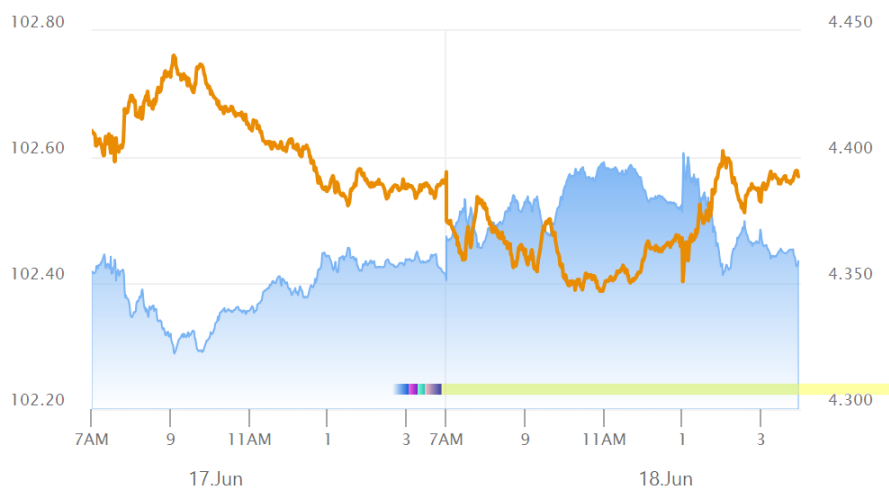
Lock / Float Considerations

- 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")
 - o 4.64
 - o 4.48
- **Floor/Resistance**
 - o 3.99
 - o 4.05
 - o 4.12
 - o 4.19
 - o 4.34
 - o 4.40

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

4.391%

+0.007%

2 YR

3.941%

-0.012%

30 YR

4.893%

+0.003%

5 YR

3.990%

-0.001%

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