MBS Recap: Almost No Reaction to Fed Minutes

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Almost No Reaction to Fed Minutes

MBS Recap Matthew Graham | 3:19 PM

As expected, today's Fed Minutes (a more detailed account of the meeting that took place 3 weeks ago) had very little impact on the bond market. Markets honed in on one newswire in particular which noted the Fed saw inflation risks outweighing employment risks. This, of course, is because the data had yet to more forcefully suggest employment risk at the time (2 days before the downbeat jobs reports). It's arguably more important that many Fed members view tariff inflation risks as a process that could take many more months to unfold. That leaves us in the same position as before: waiting for labor market data to really deteriorate before expecting any major additional rate relief. This could happen in as little as 2 weeks, but it depends on the jobs report. As for Fed rate cuts, September is still priced in, and December is just as likely as it was this morning despite some volatility in Fed Funds Futures mid-day.

Watch the Video

MBS Morning

10:35 AM FOMC Minutes: Ancient Time Capsule, Or...

3:14 PM

Market Movement Recap

10:14 AM Minimal change overnight. MBS down 1 tick (.03) and 10yr down half a bp at 4.299

12:15 PM Slightly stronger. MBS up 2 ticks (.06) and 10yr down 2.6bps at 4.28

02:03 PM Very slight negative reaction to Fed minutes offsetting very slight positive reaction to 20yr bond auction. 10yr still down 1.8bps at 4.287. MBS up 2 ticks (.06).

02:55 PM Just a hair weaker now with 10yr down 1.1bps at 4.294 and MBS unchanged on the day.

Lock / Float Considerations

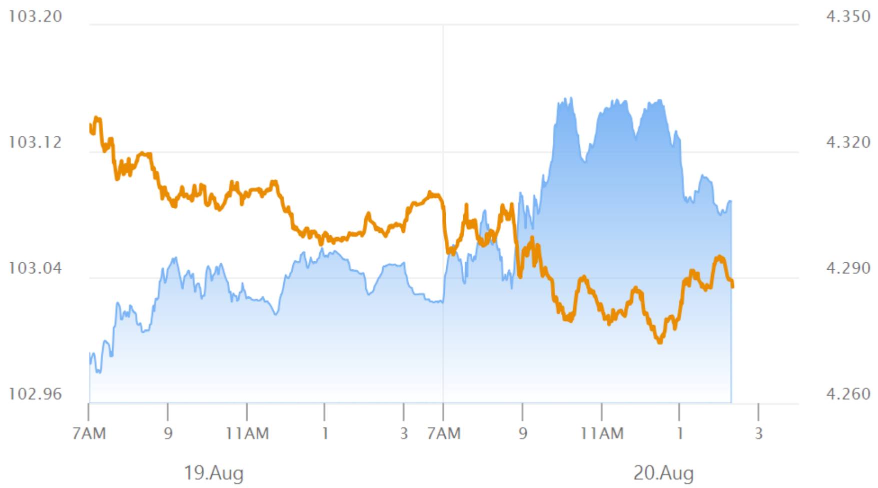
- Modest, incidental, summertime drift in bonds without much on the calendar to cause volatility concerns apart from Friday's Powell appearance at Jackson Hole. There's little to be done with respect to lock/float decisions at times like this. Risk tolerant clients will wait for a bigger move to inform their decisions. Risk averse clients are happy to lock with rates still near long-term lows. And those in between are well served by flipping coins.

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

- Ceiling/Support (can be used as "lock triggers")
  - 4.64
  - 4.48
  - 4.40
  - 4.34
  - 4.28

- Floor/Resistance
  - 3.99
  - 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	4.288%	-0.018%
2 YR	3.742%	-0.008%
30 YR	4.894%	-0.015%
5 YR	3.805%	-0.022%

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