

MBS & TREASURY MARKETS

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MBS Recap: Fed Day Selling Spree as Press Conference Trumps The Dots

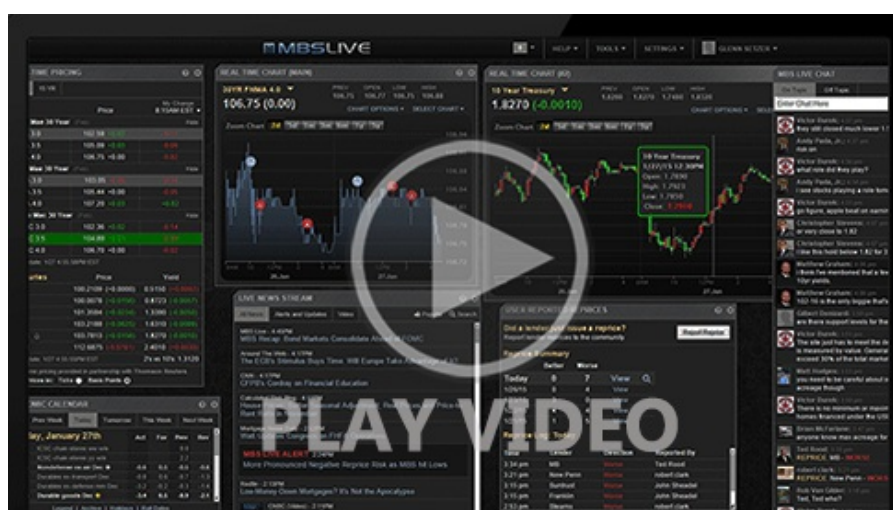


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Powell Press Conference Trumps The Dots, Sparking Moderate Sell-Off

MBS Recap | Matthew Graham | 4:41 PM

Of today's Fed events (rate announcement, dot plot, and press conference), it was the dots that were most likely to cause the biggest reaction. That proved to be the case, but only for the 30 minutes leading up to Powell's presser. Bonds had already begun pushing back against the rally by the time Powell started fielding questions. Several of his responses added fuel to the fire. In not so many words, Powell said the dots don't mean the Fed is cutting twice more in 2024 and that the Fed will instead be taking things meeting by meeting as they digest incoming econ data. While that's very standard for the Fed playbook, it didn't convey the level of concern for the economy (bullish for rates) that the market was priced for. The reversal seems extreme in the short term due to the dot-driven rally, but yields closed no higher than they did last Tuesday--2 days after the jobs report rally that took rates to their lowest levels since October.



MBS Morning

10:51 AM What to Expect From The Fed Today

Commentary

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

Update

2:03 PM First Reaction to Fed Announcement is Stronger

Alert

2:40 PM Gains Vanish As Press Conference Begins

Alert

2:55 PM Negative Reprice Risk Increasing

4:21 PM

Alert

4:35 PM Negative Reprices Increasingly Likely If You Haven't Seen One Yet

Econ Data / Events

- ○ Building Permits (Aug)
 - 1.312M vs 1.37M f'cast, 1.362M prev
- Housing starts number mm (Aug)
 - 1.307M vs 1.37M f'cast, 1.428M prev

Market Movement Recap

09:48 AM Modestly stronger overnight and little-changed so far this morning. MBS up 1 tick (.03) and 10yr down half a bp at 4.027

11:34 AM Just barely weaker now. MBS down 1 tick (.03) and 10yr up less than half a bp at 4.035

02:06 PM Stronger after the dot plot. MBS up just over an eighth and 10yr down 3.3bps at 3.998

02:40 PM MBS now down 2 ticks (.06) on the day. 10yr yields are up 2.3bps at 4.053

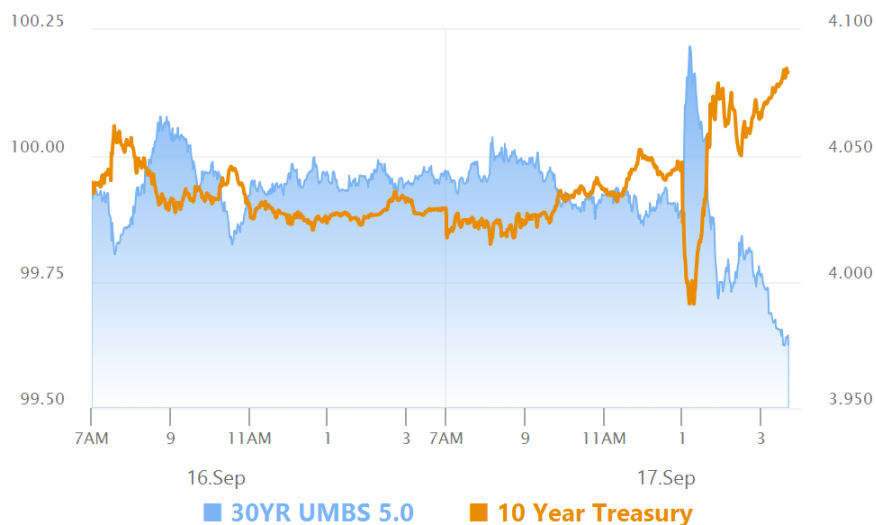
Lock / Float Considerations

- Most clients are increasingly lock-biased on Wednesday afternoon until we can rule out that Fed Day will serve as an inflection point for the recent rally.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - o 4.64
 - o 4.48
 - o 4.40
 - o 4.34
 - o 4.28
- Floor/Resistance
 - o 3.99
 - o 4.05
 - o 4.12
 - o 4.19

MBS & Treasury Markets



MBS

30YR UMBS 5.0

30YR UMBS 5.5

30YR GNMA 5.0
15YR UMBS-15 5.0

US Treasuries

10 YR	4.084%	+0.054%
2 YR	3.555%	+0.052%
30 YR	4.681%	+0.029%
5 YR	3.653%	+0.066%

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