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MBS Recap: Another Hawkish Powell Press Conference Harshes Bonds' Mellow

Another Hawkish Powell Press Conference Harshes Bonds' Mellow

MBS Recap Matthew Graham | 3:11 PM

The Fed cut rates and ended QT. Neither were surprises for markets and neither had an impact. The press conference was hawkish, however, with Powell saying a December cut was far from a foregone conclusion. This is very much counter to the market's expectation that a December cut was a lock. Fed Funds Futures tanked and yields surged about 8bps in the 10yr. MBS lost about 3/8ths and negative reprices continue to roll in.

Watch the Video

MBS Morning

11:50 AM What Matters in Today's Fed Announcement

Alert

1:28 PM Some Selling Ahead of Fed

Alert

1:41 PM Negative Reprice Risk Increasing

Commentary

2:01 PM Here's What Changed in The New Fed Announcement

Alert

2:03 PM First Move After Fed is Mixed

Alert

2:28 PM Weakest Levels Ahead of Powell Press Conference

Alert

2:39 PM Reprices Becoming Likely After Powell Comment on Dec Cut

Econ Data / Events

-
    - Case Shiller Home Prices-20 y/y (Aug)
        - 1.6% vs 1.9% f'cast, 1.8% prev
    - CaseShiller 20 mm nsa (Aug)
        - -0.6% vs -- f'cast, -0.3% prev
    - FHFA Home Price Index m/m (Aug)
        - 0.4% vs 0.1% f'cast, -0.1% prev
    - FHFA Home Prices y/y (Aug)
        - 2.3% vs -- f'cast, 2.3% prev
    - CB Consumer Confidence (Oct)
        - 94.6 vs 93.2 f'cast, 94.2 prev
        - Labor differential: 9.40 vs 7.80 prev

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Market Movement Recap

10:26 AM modestly weaker overnight and holding steady so far. MBS down 1 tick (.03) and 10yr up 1.6bps at 3.992

01:28 PM 10yr yields are up 2.9bps at 4.005 and MBS down 3 ticks (.09)

01:41 PM MBS now down 5 ticks (.16) and 10yr up 3.5bps at 4.012

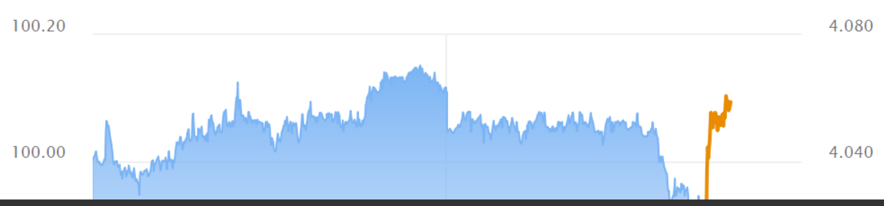
Lock / Float Considerations

- The negative reaction to the Fed press conference runs some risk of follow-through on Thursday. Risk averse clients are already locked. Risk-tolerant clients may be seeing their sign to lock in today's developments. We won't be comfortable saying that risk/reward is back to a balanced level until we see that this afternoon's negative momentum fails to follow through in the 2nd half of the week.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
  - 4.48
  - 4.40
  - 4.34
  - 4.28
  - 4.19
  - 4.12
  - 4.05
- Floor/Resistance
  - 3.89
  - 3.97

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	4.058%	+0.082%
2 YR	3.586%	+0.096%
30 YR	4.599%	+0.053%
5 YR	3.699%	+0.091%

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