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MBS Recap: Powell Avoided Throwing Cold Water on Rate Outlook. Bonds Approved



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MBS Recap | Matthew Graham | 4:39 PM

Today's gains ended up being all about Powell's press conference. While there were a few potentially friendly comments (current rates in high end of neutral range, recent job gains overstated, no decision yet on January, inflation coming down), we can also consider that Powell simply avoided the same sort of **hawkish** reminders seen in the last press conference. On a day where bonds had already been selling fairly aggressively for 2 weeks, this could be all the market needed to breathe a sigh of relief and reinforce the ceiling of the prevailing trading range. All in all a fairly tame Fed day reaction, but one with a happy ending nonetheless.



Lock / Float Considerations

- The friendly reaction to the Fed announcement (and press conference) helps reinforce the prevailing range. Risk-tolerant clients will use the ceiling of the range as a lock trigger while risk-averse clients will capitalize on today's mid-day price improvements. Volatility risk decreases over the next few days, but will pick back up again leading up to the Dec 16th jobs report.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - o 4.48
 - o 4.40
 - o 4.34
 - o 4.28
 - o 4.19
 - o 4.12
 - o 4.05
- Floor/Resistance
 - o 3.89
 - o 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	4.155%	-0.031%
2 YR	3.543%	-0.073%
30 YR	4.793%	-0.016%
5 YR	3.736%	-0.058%

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