Nickolas Inhelder
Mortgage Broker, In Clear To Close - InCTC LLC
www.AslanHLC.com
P: (720) 446-8778
M: (858) 229-9533
nick@incleartoclose.com
1777 S. Harrison St.
Denver CO 80210
2037157 - CO, FL
2656899 - AL, CO, FL, SD

MBS Recap: Huge Volatility After Fed, But The Coming Days Will Tell The Story

Huge Volatility After Fed, But The Coming Days Will Tell The Story

MBS Recap Matthew Graham | 6:02 PM

Bonds ended the day only modestly worse off than yesterday afternoon. That's a pretty impressive accomplishment considering the Fed hiked rates and communicated at least one more rate hike in 2026. Nearly half the FOMC sees at least 2 more hikes in this cycle. Warsh's comments ratcheted up the hawkishness considerably. Intraday market movement told a completely different story compared to the modest day-over-day change. The rate hike itself had no impact. Case in point bonds didn't move from 2pm to 2:30pm ET. It was only after Warsh's press conference began that bonds progressively tanked. So what was the x factor? In a nutshell, Warsh said the economy was strengthening, the Fed's focus is primarily on inflation (instead of labor market), and inflation trends haven't improved. This isn't one shocking revelation, but rather a coherent justification for a hawkish Fed policy stance that likely involves additional rate hikes with broad support from the committee. Had this been a token rate hike followed by a press conference in with broad support from the committee. Had this been a token rate hike followed by a press conference in which Warsh expressed concern about whether the hike would ultimately prove to be justified, bonds may not have reacted nearly as much. As it stands, it's something of a sea-change from Warsh and sounds a lot more like a fairly substantial shift in the Fed's policy regime. While this is ultimately what's needed when it comes to lower mortgage rates in the future, the unmitigated level of hawkishness pushes the turning point farther into that future than a half-hearted rate hike would have.

Watch the Video

MBS Morning

10:24 AM An Uncommonly Interesting Fed Day

Commentary

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

Alert

2:09 PM Fed Hikes. Modest MBS Weakness

Alert

2:36 PM Bonds Losing More Ground Now as Warsh Begins Speaking

Alert

2:56 PM Negative Reprice Risk Increasing

Econ Data / Events

- Import prices mm (Aug)
    - 0.7% vs 0.4% f'cast, -0.4% prev
- Retail Sales (Aug)
    - 1.2% vs 0.8% f'cast, -0.6% prev

- Retail Sales Control Group MoM (Aug)
  - 1.4% vs 0.4% f'cast, -0.4% prev
- y/y Headline CPI (Aug)
  - 3.4% vs 3.4% f'cast, 3.4% prev

Market Movement Recap

09:31 AM moderately stronger overnight. MBS up 7 ticks (.22) and 10yr down 2.9bps at 4.973

11:40 AM MBS up almost 3/8ths and 10yr down 4.2bps at 4.959

02:30 PM MBS still up 11 ticks (.34) and 10yr down 4.8bps at 4.954

03:31 PM MBS now down 3 ticks (.09) and 10yr up 1.1bps at 5.011

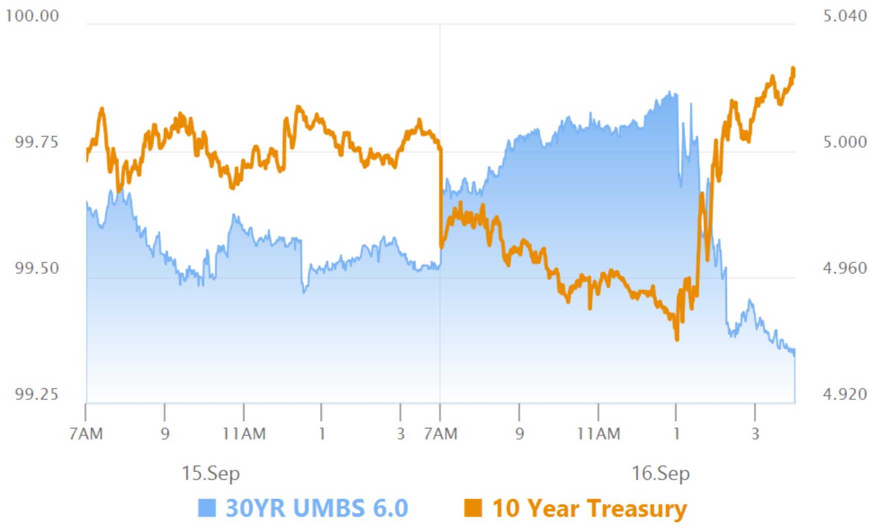
Lock / Float Considerations

- 9/16/26 - Extremely interesting Fed day and an extremely difficult day for formulating lock/float decisions. We can't really know what rates would be doing if the Fed hadn't hiked. We are seeing support in Treasuries again at similar levels as yesterday. We continue to feel that higher Fed Funds Rates will ultimately do more good than harm for mortgage rates. We always felt that there would be too much noise in the short term to confirm that hypothesis on Fed day. The question is how long it will take to confirm. Several notable lenders did not reprice this afternoon. Floating with those lenders is more risky as they presumably have adjustments to make tomorrow morning. Lenders who repriced for the worse leave more room for other strategies, but even then, we'd still prefer to wait for a strong shift in momentum before abandoning the defensive strategy.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
  - 5.14
- Floor/Resistance
  - 4.62
  - 4.71
  - 4.80
  - 4.83
  - 4.93
  - 5.00

MBS & Treasury Markets



MBS

30YR UMBS 6.0		
30YR UMBS 6.5		
30YR GNMA 6.0		
15YR UMBS-15 5.0		

US Treasuries

10 YR	5.018%	+0.017%
2 YR	4.736%	+0.073%
30 YR	5.362%	-0.005%
5 YR	4.881%	+0.053%

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