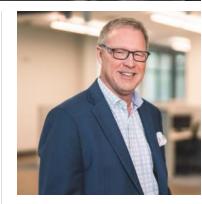
# Low Volatility Session Ahead of Fed Day

Market Summary: Wednesday, March 19, 2025 - 1:32AM

4 out of the year's 8 Fed announcements include an updated dot plot (i.e. a chart of each Fed member's projection for the Fed Funds Rate at the end of the next few years). Dots have come to be viewed as one of the biggest potential flashpoints for rate volatility, but their actual track record is hit and miss. Over the past few years, they've done more to simply add context or push-back to the tone conveyed in the statement or press conference, but have stopped short of re-writing the momentum narrative. This week's example should fit right in. We know the Fed won't hike and we know the dots won't be making the sort of huge leaps seen on several recent occasions. As for today, it was pleasant, but boring, with a slightly weaker start giving way to mild rally into the close--just another day inside the multi-week consolidation.



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#### Latest Video Analysis



Low Volatility Session Ahead of Fed Day

UMBS 5.5 99.91 +0.19	10YR 4.244% -0.042	3/19/2025 5:00PM EST
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## Germany's Debt Increase and Treasury Consolidation

Recall 2 weeks ago that news of the incoming German Chancellor's ambitions to massively increase debt/spending led to the end of the bond rally in the US that took 10yr yields from 4.55 to 4.15%. The resulting bounce in US Treasuries was limited to roughly 15bps. Meanwhile, Germany's equivalent 10yr yields spiked 3 times as much, with the March 5th being the worst day for German bonds since 1989 (fall of Berlin Wall). At the time, it wasn't a given that the debt ceiling increase could pass muster in Germany's constitutional court and parliament, but as of this morning, it's a done deal. Thankfully, it seems markets already had this fully priced in.

Meanwhile, the US bond market's consolidation continues in stunningly perfect fashion ahead of tomorrow's Fed dot plot.

If you ask a technical analyst, the chart above is a classic consolidation (or triangle, pennant), and it carries one of several connotations. Some say they're predictive, but the only reliable prediction is that such consolidations can't last forever (after all, the white lines are about to converge). The Fed's dot plot probably has the power to cause a breakout in one direction or the other, but incoming economic data would have to agree with the move if it's to be sustained.

MBS MORNING: Bonds Bouncing Back After Early Stumble

UPDATE: Losing Some Ground as Retail Sale Control Group Comes in Higher

#### Today's Mortgage Rates

**30YR Fixed 6.76% -0.02% 15YR Fixed 6.22% -0.02%** 3/19/2025

## Mortgage Rates Started Higher, But Ended Lower

As we often discuss, mortgage lenders prefer to set their rates once per day. They only make changes when the underlying bond market makes a big enough move. While it wasn't an extreme example, many lenders made such changes today as bonds improved steadily throughout the day.

Before the improvements, the average lender was offering slightly higher rates compared to yesterday. After the improvement, today's rates are a hair lower than yesterday's. In both cases, rates continue holding inside a narrow range just off the best levels since mid October.

There were several economic reports this morning, but they didn't have a material impact on rates. Tomorrow's key event is the Fed announcement and press conference. This announcement is one of only 4 per year where the Fed will update its rate projections--something that often causes volatility across the rate spectrum. Those projections come out at 2pm ET and Fed Chair Powell holds the customary press conference 30 minutes later.

We're not expecting any specific outcome in terms of the direction of movement in and in general, this Fed announcement is a bit less consequential than many recent examples. Nonetheless, potential volatility is always factor on Fed days, even if the volatility doesn't materialize.

Time	Event	Actual	Forecast	Prior
Wednesday, Mar 19				
12:00AM	Roll Date - Ginnie Mae 30YR			
7:00AM	Mar/14 MBA Refi Index	794.4		911.3
7:00AM	Mar/14 MBA Purchase Index	154.7		154.6
10:30AM	Mar/14 Crude Oil Inventory (ml)	1.745M	1.1M	1.448M
11:30AM	17-Week Bill Auction (%)	4.195%		4.180%
2:00PM	Interest Rate Projection - 1st Yr	3.4%		3.9%
2:00PM	Interest Rate Projection - 2nd Yr	3.1%		3.4%
2:00PM	Interest Rate Projection - Current	3.9%		4.4%
2:00PM	Interest Rate Projection - Longer	3%		3%
2:00PM	Fed Interest Rate Decision 📩	4.5%	4.5%	4.5%
2:00PM	FOMC Economic Projections			
2:30PM	Fed Press Conference **			
2:30PM	Powell Press Conference			
Thursday, Mar 20				
8:30AM	Mar/08 Continued Claims (ml)	1892K	1890K	1870K
8:30AM	Mar Philly Fed Prices Paid	48.30		40.50
8:30AM	Mar Philly Fed Business Index 🟠	12.5	8.5	18.1
8:30AM	Mar/15 Jobless Claims (k) ★	223K	224K	220K
10:00AM	Feb CB Leading Index MoM (%)	-0.3%	-0.2%	-0.3%
10:00AM	Feb Existing home sales (ml) $\overleftrightarrow$	4.26M	3.95M	4.08M
10:00AM	Feb Exist. home sales % chg (%) $\updownarrow$	4.2%		-4.9%

### **Recent Housing News**

- Big Bounce in Refi Demand Thanks to Lower Rates
- Why Didn't Refi Demand Spike This Week?
- New Home Sales Drop 10.5%. Should You Care?

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## Interest Rates Had a Boring Week, And That's a Good Thing

Rates rocketed lower with stunning consistency starting in late February. They finally bounced last week, but rather than move back up to previous levels, they held in a relatively narrow, sideways range. That set the stage for a showdown this week. OK, a "showdown" may be a bit dramatic, but it's not an overstatement to say that rates were ready to embark on a new journey higher or lower, depe...

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