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

Market Summary: Wednesday, September 16, 2026 - 7:21PM

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 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.

MONEYHOUSE

Chris Munson
SVP and Managing Director
US Sales and Operations,
The Money House
P: (407) 255-2047
M: (704) 957-5053
8751 Commodity Circle Ste 17
Orlando Fl 32819

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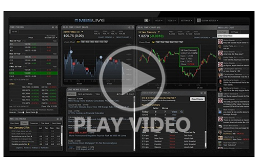

Huge Volatility After Fed

MBS & Treasury Markets

UMBS 6.0	99.36	-0.17	10YR	4.995%	-0.006%	9/16/2026 5:19PM EST

Negative Reprice Risk Increasing

MBS are now down an eighth of a point from many lenders' rate sheet print times. As such negative reprice risk is increasing.

ALERT: Bonds Losing More Ground Now as Warsh Begins Speaking

ALERT: Fed Hikes. Modest MBS Weakness

Today's Mortgage Rates

30YR Fixed	7.24%	+0.02%	15YR Fixed	6.84%	+0.02%	9/16/2026

No, The Fed Didn't Hike Mortgage Rates Today

are definitely higher today--the highest since January 13th, 2025. Today's Fed announcement had something to do with that. But while the Fed hiked the Fed Funds Rate, that had NOTHING to do with mortgage rates moving higher this afternoon.

In fact, this is very easy see on a chart of bond market movement. We can use 10yr Treasuries as a more active proxy for the bonds that underlie mortgage rate movement. The Fed hike was not only almost 100% priced into financial markets, but it had no major impact on bonds when it was announced at 2pm. It wasn't until 2:30pm--when Fed Chair Warsh's press conference began--that rates started having a bad day.

A Federal Reserve that's committed to fighting inflation is ultimately a good thing for in the longer term. The market clearly agreed that it was even a good thing in the short term at first. But when it saw just how committed Warsh was during the press conference, traders adjusted fairly quickly.

Why?

Warsh had to option to use the press conference to characterize today's rate hike as some sort of "close call" made out of "abundance of caution" over the inflation outlook. Instead, he said the economy was strong, inflation hadn't made any real progress recently, and that the Fed needed to "remove some accommodation" from the economy. That last part suggests the Fed views current rates as accommodative (i.e. they promote higher prices and economic growth, all else equal).

Moreover, removing "some" accommodation implies there's more to be removed. So markets not only had to digest today's singular rate hike (something they'd arguably already done before today), but also to account for the likelihood of additional hikes in the near future.

Again, this is indeed likely what's best for mortgage rates in the longer term. The question is how long it takes for that to become evident in the outright level of rates themselves. Had today been a half-hearted rate hike, we could be talking about a time frame like "tomorrow." As it stands, it could take longer. Either way, it will also depend heavily on the Iran war and other factors with highly uncertain timelines and wide distributions of potential outcomes.

Economic Calendar

Last Week | This Week | Next Week

Time	Event	Actual	Forecast	Prior
Wednesday, Sep 16				
12:00AM	Roll Date - UMBS 15YR, Ginnie Mae 15YR			
7:00AM	Sep/11 MBA Refi Index	627.1		687.3
7:00AM	Sep/11 MBA Purchase Index	156.2		157.5
7:00AM	Sep/11 Mortgage Market Index	230.8		240.6
8:30AM	Aug Import prices mm (%)	0.7%	0.4%	-0.4%
8:30AM	Aug Retail Sales (%) ★★	1.2%	0.8%	-0.6%
8:30AM	Aug Retail Sales Control Group MoM ★★	1.4%	0.4%	-0.4%
10:00AM	Jul Business Inventories (%) ☆	0.8%	0.3%	0%
10:00AM	Sep NAHB housing market indx	32	34	35
10:30AM	Sep/11 Crude Oil Inventory (ml)	-0.64M	-1.6M	-0.391M
2:00PM	FOMC Economic Projections ★★			
2:00PM	Interest Rate Projection - 1st Yr	4.1%		3.6%
2:00PM	Interest Rate Projection - 2nd Yr	3.9%		3.4%
2:00PM	Interest Rate Projection - Longer	3.2%		3.1%
2:00PM	Interest Rate Projection - Current	4.1%		3.8%
2:00PM	Interest Rate Projection - 3rd Yr	3.6%		3.1%
2:00PM	Fed Interest Rate Decision ★★	4%	4%	3.75%
2:30PM	Warsh Press Conference ★★			
Thursday, Sep 17				
8:30AM	Sep/05 Continued Claims (k) ☆		1780K	1774K
8:30AM	Sep/12 Jobless Claims (k) ☆		208K	206K
8:30AM	Sep Philly Fed Business Index ☆		30.5	47.4
8:30AM	Aug Housing starts number mm (ml)		1.31M	1.239M
8:30AM	Aug Building Permits (ml)		1.41M	1.433M
8:30AM	Sep Philly Fed Prices Paid			40.90
10:00AM	Aug Pending Home Sales (%) ☆		2%	-2.3%
1:00PM	10-yr Note Auction (bl) ★	19		