Stars Aligning, Oil Falling, Or Some of Both?

Market Summary: Thursday, September 17, 2026 - 1:21PM

Heading into yesterday's rate hike, recent evidence suggested the longer end of the bond market would appreciate a hike. There was no telling exactly how this would impact rates on Fed day itself--only that it was probably the lesser of two evils in the coming weeks. It was highly reassuring to see essentially no reaction to the rate hike in the first 30 minutes. But the press conference introduced additional selling pressure (obviously). Now this morning, bonds have gone a long way toward fulfilling the paradoxical prophecy. Even though a good amount of credit must be given to lower oil prices, there is still excess positive momentum in bonds that can't be explained by oil.

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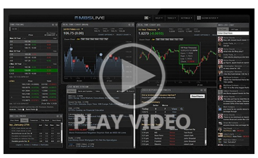

Huge Volatility After Fed

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MBS & Treasury Markets

UMBS 6.0	99.82	+0.46	10YR	4.943%	-0.076%	9/17/2026 11:19AM EST

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The following chart shows bond yields dropping much faster than oil prices this morning in order to return to a more correlated trend. This is a demonstration of excess strength in bonds because they've generally been doing a bit worse than a 1:1 oil price correlation would suggest. Most simply, there are several times in the past week where both yields and oil prices were at the same levels they are this morning. In other words, there's no longer any lasting evidence of yesterday's Fed press conference sell-off.

ALERT: Negative Reprice Risk Increasing

ALERT: Bonds Losing More Ground Now as Warsh Begins Speaking

Today's Mortgage Rates

30YR Fixed	7.19%	-0.05%	15YR Fixed	6.81%	-0.03%	9/17/2026

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
Thursday, Sep 17				
8:30AM	Sep/05 Continued Claims (k)	1730K	1780K	1774K
8:30AM	Sep/12 Jobless Claims (k)	196K	208K	206K
8:30AM	Sep Philly Fed Business Index	37.8	30.5	47.4
8:30AM	Aug Housing starts number mm (ml)	1.275M	1.31M	1.239M
8:30AM	Aug Building Permits (ml)	1.394M	1.41M	1.433M
8:30AM	Sep Philly Fed Prices Paid	48.60		40.90
10:00AM	Aug Pending Home Sales (%)	0.3%	2%	-2.3%
1:00PM	10-yr Note Auction (bl)	19		
Friday, Sep 18				
12:00AM	Roll Date - Ginnie Mae 30YR			
9:15AM	Aug Industrial Production (%)		0.3%	0.2%
9:30AM	Fed Bowman Speech			
10:00AM	Aug CB Leading Index MoM (%)		0.1%	0.2%