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MBS Recap: Fed Proves Surprisingly Capable of Intraday Inspiration

We moved from NFP not mattering (and then causing a surprisingly big intraday stir) to the Fed undergoing quite a similar routine. Granted, in the bigger picture, neither event will be memorable or have a lasting impact on rate momentum, but they both came as close as they could.

Today's reaction to the Fed was the opposite of the reaction to last week's NFP (a fact that only reinforces NFP "not mattering" since yields have now traded well below pre-NFP levels). I'd argue that today's reaction to the Fed was also a bigger surprise and based on **more interesting** underlying details.

Specifically, Fed Chair Powell's thoughts on inflation were delivered in a slightly newer and more bond-friendly way. He unequivocally said there wouldn't be any rate hikes unless inflation moved up significantly, and went a step further by saying a number of Fed members think inflation should run hot for as long and by as much as it ran cool in the past decade. Given that inflation currently isn't running hot and that low Fed rates have had less and less power to stoke inflationary fires over that time, the rate implication is positive to say the least.

All that having been said, there's a way to look at today's action as being **much less impressive** or surprising (and to give the Fed much less credit for causing the move). We could easily say that bonds were already planning on rallying today (apparently, based on how the morning was going). In that light, the Fed reaction merely extended the trend of the rally that was already established in the morning hours.

MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	99.46	+0.40
MBS GNMA 6.0	100.48	+0.27
10 YR Treasury	4.6068	-0.0277
30 YR Treasury	4.7352	-0.0162

Pricing as of: 5/2 4:04AM EST



Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.41%	-0.10	0.00
15 Yr. Fixed	6.84%	-0.06	0.00
30 Yr. FHA	6.88%	-0.11	0.00
30 Yr. Jumbo	7.60%	-0.07	0.00
5/1 ARM	7.50%	-0.05	0.00
Freddie Mac			
30 Yr. Fixed	7.17%	-0.27	0.00
15 Yr. Fixed	6.44%	-0.32	0.00
Mortgage Bankers Assoc.			
30 Yr. Fixed	7.24%	+0.11	0.66
15 Yr. Fixed	6.75%	+0.11	0.64
30 Yr. FHA	7.01%	+0.11	0.94
30 Yr. Jumbo	7.45%	+0.05	0.56
5/1 ARM	6.64%	+0.12	0.87

Rates as of: 5/1



Either way, traders are **still waiting** for the week's biggest potential development: any meaningful update on Sunday's China tariff deadline.

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