



Dan Clifton

Principal Broker and Mortgage Guru, Clifton Mortgage Services, LLC

NMLS # 284174

670 N Orlando Ave Suite 101 Maitland, FL 32751

Office: 888-681-0777 x1001

Mobile: 407-252-3039

Fax: 866-512-0169

dan@cliftonmortgageservices.com

[View My Website](#)

UPDATE: First Reaction to Fed is Strongly Positive For Bonds

As expected, the Fed raised rates by a quarter point. The big to-do in today's announcement was the economic projections.

They are as follows:

- MEDIAN VIEW OF APPROPRIATE FEDERAL FUNDS RATE AT END-2017 **1.375 PCT (PREV 1.375 PCT)**; END-2018 **2.125 (PREV 2.125 PCT)**; END-2019 3.000 (PREV 2.875 PCT) LONGER-RUN 3.000 PCT (PREV 3.000 PCT) - FED PROJECTIONS
- NINE OF 17 FED POLICYMAKERS SEE 3 RATE HIKES IN 2017 COMPARED WITH 6 OF 17 HOLDING THAT VIEW IN DECEMBER
- MEDIAN FED FORECASTS 2017 - GDP GROWTH 2.1 PCT (PREV 2.1 PCT), UNEMPLOYMENT RATE 4.5 PCT (PREV 4.5 PCT), CORE INFLATION 1.9 PCT (PREV 1.8 PCT)
- MEDIAN FED FORECASTS 2018 - GDP GROWTH 2.1 PCT (PREV 2.0 PCT), UNEMPLOYMENT RATE 4.5 PCT (PREV 4.5 PCT), CORE INFLATION 2.0 PCT (PREV 2.0 PCT)
- MEDIAN FED FORECASTS 2019 - GDP GROWTH 1.9 PCT (PREV 1.9 PCT), UNEMPLOYMENT RATE 4.5 PCT (PREV 4.5 PCT), CORE INFLATION 2.0 PCT (PREV 2.0 PCT)
- MEDIAN FED LONG-RUN FORECASTS - JOBLESS RATE 4.7 PCT (PREV 4.8 PCT); GDP GROWTH 1.8 PCT (PREV 1.8 PCT)

The takeaway is that the absence of an acceleration in 2017 and 2018 is much better than markets were priced for. The only uptick was from 2.875 to 3.000 in 2019.

Bonds are much stronger on the news, with 10yr yields down 7.3bps at 2.529. Fannie 3.5s are up half a point at 101-12. More to follow...

MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 5.0	99.37	+0.02
MBS GNMA 5.0	99.93	+0.02
10 YR Treasury	3.9068	+0.0029
30 YR Treasury	4.1960	+0.0028

Pricing as of: 9/17:34PM EST

Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			

30 Yr. Fixed	6.43%	+0.02	0.00
15 Yr. Fixed	5.95%	0.00	0.00
30 Yr. FHA	5.82%	+0.02	0.00
30 Yr. Jumbo	6.62%	0.00	0.00
5/1 ARM	6.28%	-0.01	0.00

Freddie Mac

30 Yr. Fixed	6.35%	-0.51	0.00
15 Yr. Fixed	5.51%	-0.65	0.00

Mortgage Bankers Assoc.

30 Yr. Fixed	6.44%	-0.06	0.54
15 Yr. Fixed	5.88%	-0.16	0.68
30 Yr. FHA	6.36%	-0.06	0.85
30 Yr. Jumbo	6.75%	+0.07	0.39
5/1 ARM	5.98%	-0.27	0.65

Rates as of: 8/30



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