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#### A Message from Stephen Moye:

"This article is a great overview of what happened today are far as rates. Friday's job report is the next big but of economic data for the markets to peruse for signs of imminent inflation"

# MBS Recap: Fed, SOTU Pass Without a Trace

Stay skeptical about easy answers in financial news! Here's a **tremendous example.** Much has been made of the stock market being on the edge of a massive correction based on rising interest rates. That's not necessarily a bad idea, but it is faulty logic to assume it will drive every little move. For instance, after today's woefully inconsequential Fed announcement, bond yields rose at first before settling back down to unchanged levels for the 3pm CME close. The rate spike was seized by stock commentators in order to explain late day stock weakness. Pretty simple, right?

The **only issue** is that the afternoon decline in rates coincided with more losses in stocks. In other words, headlines about stocks giving up their gains due to bond yields rising post-Fed are completely worthless. Bond yields rose post-Fed. True. Stocks gave up gains. True. But if one of these things depended on the other, we would have seen stocks bounce sooner and better as yields began to move lower from 2:20-3pm. Instead, that was when we saw the bulk of weakness in equities markets.

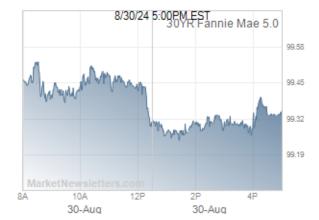
OK, so how about **stock losses helping bonds?** That would be great were it not for 2:49 PM. In the minute or two preceding 2:49, stocks saw their sharpest selling of the afternoon. During the same time, bond yields moved just a bit higher, paying absolutely no attention to stocks.

The fact is that it's the end of the month and this alone generates **plenty of trading motivation** for both stocks and bonds. The high volumes seen after the Fed announcement have more to do with month-end trades that were on hold waiting to see what the Fed had to say. After the statement was revealed to be a non-event, the month-end trading resumed. Even then, the yield movement was very small relative to the volume, a clear signal that buyers and sellers were already fairly well on the same page.

#### 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

•	0 0		
	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 Banke	rs 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. FHA	6.36%	-0.06	0.85

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Going back in time a bit, the same sort of build-up was seen heading into last night's State of the Union address. Journalists (and even traders) see big market moves and look to the event calendar to try to make sense of them.

	Rate	Change	Points
30 Yr. Jumbo	6.75%	+0.07	0.39
5/1 ARM	5.98%	-0.27	0.65

With so much attention already being heaped onto Trump's address, it was easy to add to the dogpile. But bonds barely budged last night, preferring instead to trade central bank headlines where Japan and Europe pushed back on the idea of removing policy accommodation too quickly.

That brought bonds into the domestic session in **positive** territory. Month-end tradeflows during the NYSE session (big spike after 9:30am) pushed us into negative territory and the rest of the day was spent sideways at the same levels seen at 11am (but with the aforementioned post-Fed volatility).

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