



## Stephen Moye

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Under the California Residential Mortgage Lending Act  
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### A Message from Stephen Moye:

"The 10 year bond is currently at 2.68. 2.66% is an important technical floor that if breached with any enthusiasm in the next few days could make things very interesting."

## UPDATE: Bonds Improving More Convincingly as Powell Speaks

As Powell makes plain the fact that the Fed is willing to tweak the balance sheet in the future if market conditions require it, MBS are having a better and better day. Fannie 4.0 MBS are outperforming 10yr yields because of that (MBS aren't currently getting any balance sheet reinvestments, so if that policy is lifted in the future, they'd benefit incrementally more than Treasuries) and also because shorter-duration bonds are in favor.

Why are shorter-duration bonds in favor? Simply put: today's Fed announcement is first and foremost a warning shot about rate hikes. Specifically, we might not see another one as soon as previously expected. Fed rate hike expectations affect shorter-duration bonds first and then radiate up the yield curve from there. As such, 2yr Treasury yields are doing the best and 30yr bonds are doing the worst.

Why do MBS outperform 10yr Treasuries when shorter-duration bonds are outperforming? Bottom line: the average mortgage lasts less than 10 years!

Beyond all of the above, MBS production coupons (the lowest coupons that are still traded with some liquidity) REALLY love to have some sort of backstop that reassures investors about ongoing liquidity. Today's brand of Fed-speak does a very good job of that. Combine that with the fact that MBS weakened so much versus Treasuries in 2018 and it's no surprise (and not even really that big of a deal) to see them closing the gap a bit.

Fannie 4.0 coupons are up 6 ticks on the day (0.19) and more than a quarter of a point from opening levels at 102-05 (102.16). 10yr yields are down 1.6bps at 2.694.

### 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: 9/1 7:34PM EST

### Average Mortgage Rates

	Rate	Change	Points
<b>Mortgage News Daily</b>			
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
<b>Freddie Mac</b>			
30 Yr. Fixed	6.35%	-0.51	0.00
15 Yr. Fixed	5.51%	-0.65	0.00
<b>Mortgage Bankers Assoc.</b>			
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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