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## MBS Recap: Here's Why Bonds Loved The Fed Today (And It's NOT The DOTS)

You may see news stories about the Fed shifting its rate hike outlook (conveyed in a dot plot often referred to as "the dots") to "zero hikes in 2019," but that's not today's big news. Today's big story is exactly the one we were looking for: a concrete announcement on the Fed's bond-buying plans. Specifically, the Fed's previous policy of allowing its balance sheet to shrink by a predetermined amount every month is **officially on borrowed time**.

Starting in May 2019, the Fed will lower the maximum runoff amount from \$30bln to \$15bln per month. Simply put that's an immediate \$15bln month injection of new bond buying demand. If I had to guess (and I don't anymore), I'd say that is both **sooner and a bigger** move than the market was expecting. Just for good measure, the Fed didn't say they were going to assess the affects and make future changes. Rather, they went ahead and said balance sheet runoff completely ends after September 2019. Yep, that's another \$15bln/month of bond buying.

But **that wasn't all...** Then in October, they're going to stop letting nearly as much MBS fall off the balance sheet. The first \$20bln of MBS proceeds (basically all of it...) will be reinvested into Treasuries. Simply put, by October, we're looking at a \$50bln/month swing in new bond buying demand that we weren't planning on having a few months ago.

This is **about as big and as fast** as such things might have possibly happened. As such, it's no surprise to see bonds rallying aggressively, even though so much of 2019's previous strength can be attributed to hopes for such a move. 10yr yields dropped nearly 10bps to 2.524% and Fannie 3.5 MBS rallied nearly half a point to just under 101-00.

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## 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

	Rate	Change	Points
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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