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UPDATE: Fed's Williams Comments Kick Bonds Into Positive Territory

- FED'S WILLIAMS SAYS IT IS BETTER TO TAKE PREVENTATIVE MEASURES ON RATES THAN TO WAIT FOR DISASTER TO UNFOLD
- RESEARCH SHOWS THAT WHEN NEUTRAL RATES ARE LOW YOU SHOULD NOT 'KEEP YOUR POWDER DRY'
- POLICYMAKERS MUST MOVE MORE QUICKLY TO VACCINATE THE ECONOMY AND ADD MONETARY STIMULUS WHEN RATES ARE CLOSE TO ZERO
- WHEN RATES ARE NEAR ZERO, POLICYMAKERS CANNOT AFFORD TO TAKE A WAIT AND SEE APPROACH
- LOWER-FOR-LONGER RATES FOSTER GOOD FINANCIAL CONDITIONS, ALLOW STIMULUS TO PICK UP STEAM, ALLOWS INFLATION TO RISE
- PROMISING TEMPORARILY HIGHER INFLATION AFTER RATES TOUCH ZERO CAN OFFSET NEARLY ALL NEGATIVE EFFECTS OF LOW RATES
- IF INFLATION GETS STUCK BELOW THE GOAL, PEOPLE'S EXPECTATIONS MAY PUSH INFLATION LOWER, REDUCING FED'S ABILITY TO BE EFFECTIVE

Bonds were already doing a fine job of holding their ground after being pushed into weaker territory by this morning's Philly Fed data. The Williams comments provide additional clarity on how the Fed will specifically justify a rate cut in an economic expansion.

Notably, the prevailing belief is/was that the justification would lean heavily on the global economy. The Fed still may lead with that rationale, but this is a clearly articulated argument for cutting simply due to inflation.

Fed Funds Futures jumped on the news and bond market trading levels followed. 10yr yields are now down 0.3bps on the day at 2.04% and Fannie 3.0 MBS are up 2 ticks (0.06) at 100-26 (100.81).

MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 5.0	99.35	-0.16
MBS GNMA 5.0	99.91	-0.04
10 YR Treasury	3.9039	+0.0424
30 YR Treasury	4.1932	+0.0468

Pricing as of: 8/30 5:59PM 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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