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## UPDATE: Bonds Surge on Fed Announcement

First move after the Fed is hugely positive, given the balance sheet runoff announcement. 10yr yields are down a quick 3bps to 2.558 and Fannie 3.5 MBS are up to 100-23 (100.78).

- FED KEEPS TARGET INTEREST RATE UNCHANGED AT 2.25-2.50 PCT, SEES NO RATE HIKES THIS YEAR, ONE IN 2020
- FED SAYS INTENDS BALANCE SHEET RUNOFF TO SLOW BEGINNING IN MAY AND END IN SEPTEMBER PROVIDED THAT ECONOMY, MONEY MARKET CONDITIONS EVOLVE AS EXPECTED
- FED PLANS TO CONTINUE TO ALLOW AGENCY DEBT AND MORTGAGE-BACKED SECURITIES TO DECLINE IN ORDER TO HOLD PRIMARILY TREASURIES IN THE LONG RUN
- FED SAYS TO REDUCE CAP ON MONTHLY REDEMPTIONS FROM \$30 BLN TO \$15 BLN BEGINNING IN MAY
- FED PLANS TO REINVEST PAYMENTS ON AGENCY AND MBS DEBT INTO TREASURIES STARTING IN OCTOBER AT MAXIMUM AMOUNT OF \$20 BLN PER MONTH
- FED SAYS EXPECTS MBS REINVESTMENT BELOW THE \$20 BLN MAXIMUM WILL INITIALLY OCCUR ACROSS 'RANGE' OF MATURITIES TO ROUGHLY MATCH TREASURY MATURITY COMPOSITION
- FED EXPECTS LIMITED SALES OF AGENCY MBS IN THE LONGER RUN BUT SAYS TIMING AND PACE WOULD BE COMMUNICATED WELL IN ADVANCE
- FED EXPECTS TO HOLD ASSET PORTFOLIO ROUGHLY CONSTANT FOR A TIME WITH GRADUAL INCREASES IN SOME LIABILITIES OFFSET BY DECLINES IN RESERVES
- FED SAYS IT PLANS TO PROVIDE MORE DETAILS ON MARKET OPERATIONS IN MAY
- FED EXPECTS TO INCREASE HOLDINGS TO KEEP PACE WITH TREND GROWTH OF NON-RESERVE LIABILITIES IN THE LONGER RUN
- FED SAYS ECONOMIC GROWTH HAS SLOWED FROM ITS SOLID RATE IN THE FOURTH QUARTER, JOB GAINS SOLID
- FED SEES LOWER INFLATION ON A 12-MONTH BASIS LARGELY AS A RESULT OF LOWER ENERGY PRICES
- FED SEES SLOWER GROWTH OF HOUSEHOLD INVESTMENT AND BUSINESS FIXED INVESTMENT IN THE FIRST QUARTER

## MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.06	-0.15
MBS GNMA 6.0	100.91	-0.21
10 YR Treasury	4.4909	+0.0334
30 YR Treasury	4.6451	+0.0467

Pricing as of: 5/8 7:51PM EST

# Mortgage Market Update

- FED SAYS MARKET BASED INFLATION MEASURES HAVE REMAINED LOW; SURVEY BASED INFLATION EXPECTATIONS LITTLE CHANGED
- FED REPEATS WILL BE PATIENT AS IT DETERMINES WHAT FUTURE ADJUSTMENTS TO RATES MIGHT BE APPROPRIATE FED VOTE IN FAVOR OF POLICY WAS UNANIMOUS



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