

THE FEDERAL SAVINGS BANK



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A Message from Ted Rood:

"Great info here on today's Fed outlook and what's changed from their last statement."

UPDATE: Here's Why We're Weaker (Breaking Down Key Changes and the DOTS)

Check out the [comparison to the last statement](#) for more details, but I'll recap what I see as the highlights here.

1. Economic activity now rising at a "moderate" pace. Last time it was "solid." (Dovish)
2. New sentence suggests household spending and business investment have "moderated from the strong fourth-quarter readings." (Dovish)
3. New sentence: "The economic outlook has strengthened in recent months." (Hawkish)
4. Economic activity will expand at a moderate pace "in the medium term." The part in quotes is new. Are they saying they're willing to wait a bit for economic expansion? Or that the expansion won't be long-lived? Perhaps a reporter will ask Powell in a few minutes. It could be taken either way. (Neutral)

That's it as far as the statement itself goes. **How about the dots?**

1. Simply put, there was clear upward migration in the dots. They suggest a much stronger possibility of 4 hikes in 2018, even though the median viewpoint remains for only 3. The following chart is a mark-up of my new favorite view of the dots from IFR Markets. It only shows the 2018 column from the Fed's regular dot plot, but in so doing, is able to track the changes to the 2018 column over time. Within each section, the dots may fall in increments of .125, .375, .625, and .875. Last time, 2.125 (3 hikes) had the lion's share. This time, it shares an equal share of dots with 2.375% (4 hikes). Notably, it only would have taken one more dot moving up to 2.375% to create a "median" view of 4 hikes in 2018. This is the reason bonds have sold off this afternoon. Without the dots, the statement itself would have been pretty friendly for bonds.

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

	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

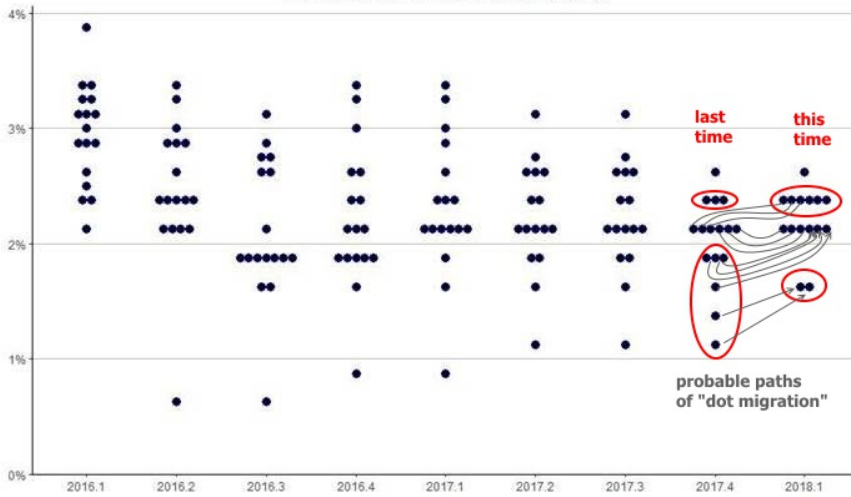
30 Yr. Fixed	6.35%	-0.51	0.00
15 Yr. Fixed	5.51%	-0.65	0.00

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

Fed Staff End-2018 Dot Plot by Meeting



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I've dedicated my 22 year mortgage career to client education, superior service, and honest answers. The lending landscape has changed dramatically the past few years, and continues to do so. My job is to ensure client partners' loans close quickly, without surprises, and I take that responsibility very seriously. Referrals are a responsibility I appreciate; they're a measure of trust, and that trust must be earned every day, on every referral.

Ted Rood 