

THE FEDERAL SAVINGS BANK



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A Message from Ted Rood:

"Not a great day for bonds or treasuries today. Let's see how tomorrow shakes out!"

MBS Recap: Several Reasons Bonds Tanked Today

At first glance, today was all about a de-escalation of yesterday's Syria rhetoric from Trump (re: "missiles"). Given that we were able to credit yesterday's news for helping bonds improve, it isn't too much to ask to believe today's news could push the other direction. But this didn't end up being the day's only market mover for bonds, and possibly not even the biggest. And while I'll stop short of calling it a red herring (it definitely had an impact), there were **bigger fish to fry**.

The biggest was today's **Treasury auction process**. Investors are always somewhat anxious about auctions. With debt issuance increasing (due to fiscal policies... stuff like the tax bill), investors are that much more anxious (after all, Primary Dealers are flat out FORCED to bid).

Traders mitigate this anxiety by pushing rates higher heading into the auction process (higher rates = lower prices = easier to bid at auction). We sometimes refer to this as "**concession**," and it was the the order of business in bond markets for much of the mid-morning and early afternoon hours. It also helps explain why bonds were apparently willing to trade the "Syria news" so much more aggressively than stocks.

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

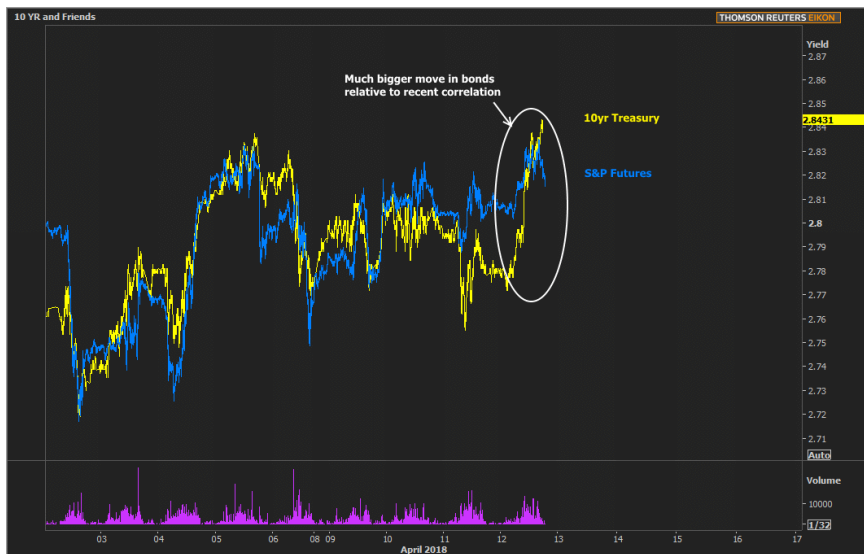
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Average Mortgage Rates

	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



Bottom line: the geopolitical back-and-forth didn't help, but the bond-specific challenges made the day what it was.

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Responsive service, experienced expertise

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.

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