

THE FEDERAL SAVINGS BANK



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A Message from Ted Rood:

"Ever wonder what the Fed REALLY talks about at their meetings?"

The Day Ahead: Fed Announcement: March Madness Edition

Today's only key event will be the **Fed Announcement**, which is actually 3 events in 1. At 2pm, we'll get the policy announcement itself as well as the Fed's updated economic projections (aka, the "dots"). Then at 230pm, Jerome Powell begins the post-announcement press conference. If the statement itself is light on details surrounding the Fed's balance sheet runoff plans, look for more details in the press conference.

To reiterate the crux of our Fed-related discussions in recent weeks, today's big variable is the status of the **balance sheet runoff**. Ending the runoff is functionally equivalent to the Fed beginning a new bond buying program. After saying the runoff was on auto pilot with no reason to change in December, Powell and the Fed quickly came to the point of telling us the runoff would end in 2019 and that there would be an announcement soon. The sooner it ends and the less gradual the change, the better for bonds and rates.

But all of the above should be old hat by now. There are only so many ways to say it. Instead, **let's have a bit of fun**. As we know, the Fed tends to re-use a vast majority of words from the previous statement, only changing what it needs to in order to gently tweak its stance. Here's how the previous statement

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

looked: <https://www.federalreserve.gov/newsevents/pressreleases/monetary20190130a.htm>

What if the Fed had March Madness on the brain before choosing the words to replace this time around? MBS Live member and Mortgage News Daily Contributor Ted Rood has gone to great lengths to predict what that might look like:

Information received since the Federal Open Market Committee met in January indicates that demand for Zion Williamson Nike sneakers has weakened significantly, as March Madness productivity declines have grown rapidly. "Federal emergency" discord has been strong, on average, in recent days, and unemployment rates for special prosecution staff and DC defense attorneys have remained low. Persistent complaints over NCAA tourney seeding have increased, while Bomb Cyclone Blizzard Hysteria has moderated from its rapid pace earlier this month. On a 12-month basis, both overall inflation and inflation for items other than Final Four tickets and Robert Kraft massage expenditures remain near 2 percent. Although market-based measures of median MLB free agent compensation have moved lower in recent months, recent measures of long-term Mike Trout contract inflation expectations have strengthened, as have reports of Bryce Harper's envy.

Consistent with its statutory mandate, the Committee seeks to foster maximum employment, price stability, and realized returns on its bracket wagers. In support of these goals, the Committee decided to maintain its March Madness portfolio at 2-1/4 to 2-1/2 percent of its balance sheet. The Committee continues to view sustained expansion of lucrative college admission bribes, a near certain Duke romp to the Final Four, and inflation near the Committee's symmetric 2 percent objective as the most likely outcomes. In light of daily Executive Branch drama, persistent Brexit discord, and plummeting Boeing earnings, the Committee will be patient as it determines what future adjustments to its brackets may be appropriate to support these outcomes.

In determining the timing and size of future adjustments to its bracket investments, the Committee will assess realized and expected March Madness results relative to its initial projections and its symmetric 2 percent inflation objective. This assessment will take into account a wide range of information, including NCAA officiating competence, indicators of inflationary pressures at Orchids of Asia spas, and 3 point shooting percentages.

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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.

Ted Rood 