

ALERT: New Lows After Brainard Comments; Reprice Risk Increasing

Fed Vice Chair Brainard's prepared remarks were just released for an event today. There weren't any major surprises, but the following "reminders" are hurting both stocks and bonds:

BRAINARD: I EXPECT BALANCE SHEET TO SHRINK CONSIDERABLY MORE RAPIDLY THAN PREVIOUS RECOVERY

BRAINARD: ON BALANCE SHEET, I EXPECT SIGNIFICANTLY LARGER CAPS AND MUCH SHORTER PERIOD TO PHASE IN MAXIMUM CAPS VS IN 2017-2019

MBS are down to new lows with 3.5 coupons half a point lower on the day and roughly a quarter point below the AM highs. Considering the timing of those highs, we can't rule out some negative repricing risk.

10yr yields also spiked to confirm the move and are now up 10+ bps at 2.495. Stocks also moved to the lows of the day (classic reaction to Fed tightening).



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