

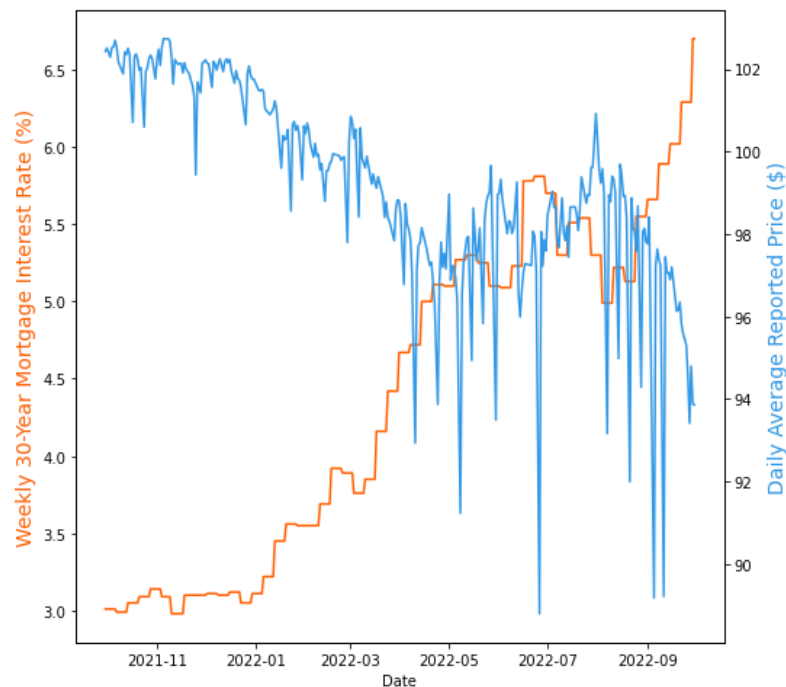
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EC 630: Financial Economics

Research paper progress report

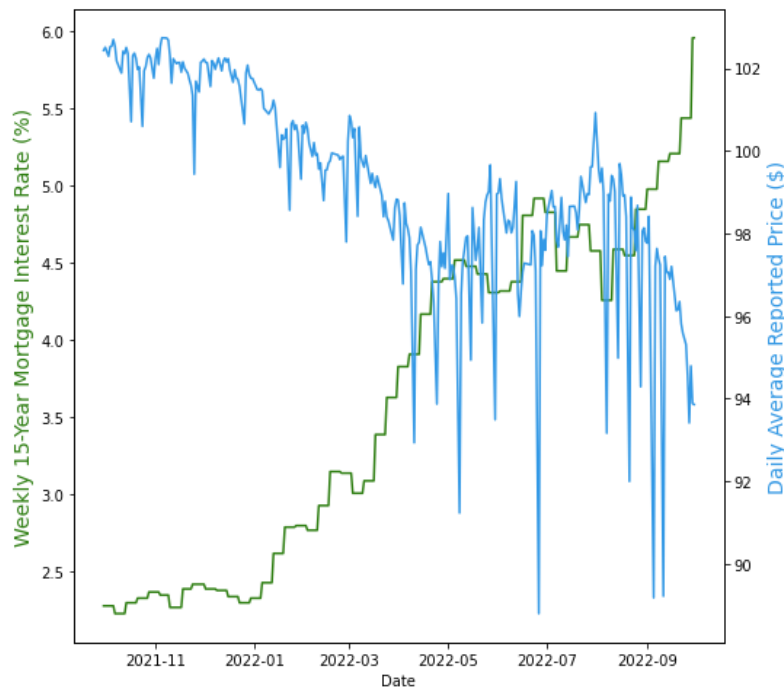
For my research topic, I am investigating if the conclusions of the James Vickery and Joshua Wright article, *TBA Trading and Liquidity in the Agency MBS Market*, have held up. According to the article, there should be an inverse relationship between the prices of MBS on the TBA marketplace and the mortgage interest rates. To investigate this, I pulled data from the Wharton Research Data Service showing the TBA marketplace. I also pulled the average weekly mortgage interest rates for 15-year and 30-year mortgages from the St. Louis Federal Reserve's FRED database.

MBS Price vs 30-Year Mortgage Interest Rates



Looking at the MBS price vs the 30-Year mortgage interest rate, it looks like their hypothesis still holds true. As the interest rates grew from September of last year to the present day, the daily average reported MBS price on the TBA marketplace has dropped.

MBS Price vs 15-Year Mortgage Interest Rates



Similarly, as the 15-year mortgage interest rate follows the same trend as the 30-year mortgage interest rate, albeit at lower values, I find the same trend with regards to MBS price vs mortgage rate.

As I continue my research in this topic, I intend to look into Jumbo and Conforming mortgage interest rates as compared to MBS prices, as that's two further specific interest rates the original authors explored beyond the standard interest rates.