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The Day Ahead: What a Difference a Day Makes

- European bond buying failed to provide a big boost yesterday
- Bonds instead getting a boost today, right out of the gate, but not exclusively from Europe
- The fact that it's happening even before the end of the auction cycle suggests positive underlying momentum--regardless of data/events

Traders want bonds! They **don't care** that oil prices have rebounded to $50, or that stocks are re-approaching all-time highs, or that bond yields are so damn low. They **still** want to own bonds. After Treasury yields most recent return to the lower end of 2016's consolidative range, that bond buying demand has only increased. But is this a 'grand finale' of buying interest or a sign of things to come?

In the following chart, we can see the long term consolidation trend with the teal lines, as well as the outright resistance at 1.70%. Today's overnight session has already helped us break past these barriers, but as we so frequently discuss, it takes more than just the initial break to **"confirm" a shift** (read more about technical breaks and confirmation, etc. HERE)

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	99.43	-0.62
10 YR Treasury	4.9860	+0.0952
30 YR Treasury	5.3557	+0.0737

Pricing as of: 11/10 5:59PM EST



Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30YR Fixed	7.30%	+0.12	0.00
15YR Fixed	6.92%	+0.09	0.00
30YR FHA	6.89%	+0.07	0.00
30YR Jumbo	7.40%	+0.03	0.00
7/6 SOFR	6.80%	+0.31	0.00
30YR VA	6.90%	+0.07	0.00

Rates as of: 11/10

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The chart also shows 2 versions of the same **momentum indicator** (stochastics, for those who are interested). These wavy lines oscillate inside (and sometimes outside) an upper and lower boundary. When over the upper line, Treasuries are "oversold." When under the bottom line, they're "overbought."

The blue/red set of lines responds more quickly to market movements and tends to give a signal of a reversal **AFTER** it moves back inside the boundaries, following a breakout. In that sense, there's no reversal signal yet. The teal/green set of lines responds more slowly to market movements and tends to confirm a reversal that we'd already be seeing in the faster set of lines.

Point being, we haven't even seen the faster set of lines suggest a reversal yet. True, yields themselves have reached the boundary of their range, but momentum has not. This raises the likelihood that we're seeing a **positive "lead-off"** ahead of next week's FOMC Announcement, which is expected to be dovish (i.e. less of a stern tone regarding rate hike probability) relative to the Minutes of the last meeting (which sent yields quickly higher in mid-May).

Today's **only key event** is the end of the Treasury auction cycle at 1pm. If indirect accounts (mostly foreign investors who are not primary dealers and who do not submit bids directly at Treasury auctions) continue to take the lion's share of the auction, primary dealers could be left to chase bond prices in order to secure enough inventory to meet client demands and general portfolio requirements.

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Expert Advice | Exceptional Service | Flawless Execution

With 27+ years of expertise in mortgage banking you can be confident in my knowledge and abilities to deliver a seamless loan transaction while providing personalized service.

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