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MBS Recap: Uneventful Gains and a Discussion About "Escape Velocity"

It was almost a wholly uneventful day for bond markets. If not for the fact that trading levels improved day-over-day, there wouldn't be much to talk about apart from technicals. For more on the **relevant technicals**, check out the Day Ahead.

Away from bond markets, the day was made interesting by the news that **FHA MIP** premiums are dropping (by 25bps for most). Here's the full story with a table of the various changes.

But **back to technicals...** The breakout of the long-term bull market in bonds (since 1981) is a hot topic these days. To be sure, this definitely won't be the last time we talk about it. Today's opportunity comes from an article in the news stream from Bloomberg that mentions the "escape velocity" level that will let us know bonds have sold-off enough for the trend to be breaking.

If you've read anything I've written recently, there's nothing new here. In fact, it's just a paragraph without any analysis. But there were a few questions in MBS Live chat as to whether or not this is a fair level.

Please understand that the break of the long-term trend just **doesn't work like that!** There's not some magic line in the sand that, once crossed, signifies the end of the trend. We can watch technical levels for general indications as to how the trend is surviving or dying, but even then, there is no hard and fast rule for which technical interpretation we should be using.

Just for the sake of reconciling the "2.80%" claim from the article, sure... that **could** be a level to watch. But so could 2.6%, 3.1%, 2.9%, and many others. We can make a case for **all four** of those in the chart below. Each corresponds to a beginning and end of year mark on one of two upper trendlines. Both lines are standard deviations of a linear regression of 10yr yields going back to 80's. One is narrower. One is wider. The narrow one is crossing the 2.80% territory right now at the beginning of the year, but will be at 2.60% by the end of the year. The wider line falls from 3.1% to 2.9% over the same time.

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

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There are 47 other ways we could come up with 47 other levels, but it doesn't much matter considering a diagonal trend was never meant to last forever when it comes to interest rates (though Europe and Japan tried their best!). Unless bonds find another reason to push the rally to all-time lows, we'll soon be sliding sideways out of the long-term trend in the bigger picture, and that will have **absolutely no bearing** on where we go next.

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