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ALERT: Bonds Open Weaker. Blame Europe

10yr yields are beginning the day **up roughly 4bps** and Fannie 3.5 MBS are down more than an eighth of a point (NOTE: there is some bid/ask illiquidity driving more volatile swings in MBS prices. Read more about that phenomenon HERE).

The weakness is **almost entirely due to Europe**. Specifically, Mario Draghi--speaking at the same conference as yesterday--unleashed an even sterner warning to bond bulls. Here are some highlights, paraphrased:

- All signs now point to strengthening recovery in the EU
- Deflationary forces replaced by reflationary ones
- growth will be above trend and well-distributed among nations
- inflation will still be muted due to temporary factors
- still need a considerable amount of accommodation to get through those temporary factors
- ECB will need to be gradual in adjusting parameters

This is some very serious **"tough talk"** for Draghi. Seemingly overnight he's gone from talking about most risks being "downside" (i.e. better chance of things getting worse before they get better) to now saying "all signs" point to a strengthening recovery. It's as if he's a robot, programmed to either justify accommodation, be equivocal, or justify tightening. And over the past 2 days, someone flipped the switch from the most to the least bond-friendly setting.

Bonds--especially European bonds--began **selling-off immediately** following Draghi's comment and they continued to lead the way for US bond markets into the early domestic session. We're now seeing traders position defensively for Yellen's Q&A this afternoon. If she, too, were to sing a more hawkish tune, it could prompt 10yr yields to start probing one of the defensive ceilings overhead (2.19-2.21 mostly). If those are broken, June will increasingly look like a floor for rates.

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
Freddie Mac			
30YR Fixed	7.18%	+0.97	0.00
15YR Fixed	6.57%	+1.10	0.00
Mortgage Bankers Assoc.			
30YR Fixed	7.30%	+0.18	0.75
15YR Fixed	6.76%	+0.33	0.98
30YR FHA	7.02%	+0.24	1.07
30YR Jumbo	7.20%	+0.05	0.48
7/6 SOFR	6.29%	+0.19	1.00

Rates as of: 11/10

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