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The Day Ahead: China's "Fake News" Comes and Goes. Shocking Market Reaction Follows

Yesterday, the possibility of China decreasing its purchases of US Treasuries was **all anyone could talk about**. Amid a sea of voices declaring this as a major fundamental market mover for US rates, I yelled counterpoints from my soap box.

Today: **vindication**. The push back had already begun as of yesterday afternoon, but the best snippet came in this story from Reuters, which said "the news could quote the wrong source of information, or may be fake news." Naturally, bonds rallied immensely on these revelations, right? After all, if the original news was the source of yesterday's overnight weakness, such a retraction in headlines would be worth a retraction of market movement.

But that's **not exactly what happened.**

Although there was a token reaction to the headlines (which hit around 10:30pm ET), it was only responsible for a 2bp rally in 10yr yields, taking them into the 2.53's. Incidentally, that's right about where we were before the initial China news. The initial reaction to the fake Chinese headlines was a sell-off **more than double** that size.

In other words, the retraction didn't get us **even half** of what the fake news took away. Conclusion: there must be other reasons for bond yields moving higher in general recently!

I'll say this yet again: there is simply a **general trend of weakness** to begin the new year, and a general rush to attempt to explain it with specific events. Really, the only specific events that are going to have a lasting impact will be things like major fiscal policy developments, changes in tack from the Fed, or tomorrow morning's CPI data (if it's much weaker or stronger than expected).

In my mind, we're evaluating **two competing trends** at the moment (seen in the chart below). We could call them "bad" and "worse." We can move on to more optimistic endeavors once they're both defeated, but as you can see, that's not the sort of thing is likely to happen in a mere trading day or two.

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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