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MBS Recap: Bonds Move Right Back to Pre-ECB Stance

Yesterday we discussed the rally in bonds as a function of **short-covering**. That meant traders were in a defensive position on Tuesday night--betting on rates moving higher--and then closed those positions yesterday. Closing a short position equates to "buying." Buying results in yields moving nicely--and even unexpectedly lower.

The **problem** with short-covering rallies is that they're not indicative of organic buying demand. That means that the news or event prompting traders to move to the sidelines has to have a positive impact on bond markets or trading levels will simply move right back to where they were before the short-covering rally. In a nutshell, that was today.



Yields never even thought about approaching some of the higher recent levels, but neither did they make a serious attempt to move below the 2.35% technical level. The ECB "tapered" (though Draghi said the word never came up) inasmuch as it announced a reduction in the pace of its asset purchases. The announcement was **bond-friendly enough** that it had fairly minimal impact. For example, German Bunds only rose to .38 from .35 at yesterday's close--fairly well in line with the .37 close from Tuesday.

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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With no more significant data or events on tap this week, all we can do is watch technical levels and wait for markets to **give us a sign**. Until 2.42% in 10yr yields is definitively broken, it continues its fight to act as a ceiling. Even if it breaks, the big-picture pivot is just overhead at 2.50%.

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