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UPDATE: Bonds Lead The Way Amid Snowball Rally

The bond rally has **continued** with 10yr yields hitting the lowest levels of the year a few moments ago (2.084). There hasn't been any NEW news driving the gains--simply a classic "snowball" rally. This occurs when traders have certain positions that will need to be covered or added to when certain levels are hit.

For instance, we know the majority of traders surveyed last week were erring on the side of bond yields bouncing higher after hitting last week's lows. Those traders would thus be "short" bonds--i.e. betting on rates moving higher. They'd have certain defensive stop-loss levels in the event rates didn't move higher. When those stop-loss levels are hit, the traders are **forced to buy** bonds (which covers their short position). Buying bonds brings the yield down further, thus potentially hitting the stop-loss levels for the next trader in line.

Algorithmic trading is adding to the snowball (as it often does). The first dose followed this morning's Trump tweet. The fact that it moved markets despite the underlying news being available on Monday is evidence of algorithmic trading being involved (in other words, trading programs were reading Twitter!).

Algo trading also takes the form of programs reacting to pure trading levels, much in the same way as the stop-loss levels discussed above. That can provide incremental buying demand as lower yields are achieved.

Setting the stage for all of this is the underlying landscape of "the majority" believing rates should go higher. Sometimes the majority will be right, but if something like the weekend's Korea-related headlines come along to push yields far enough in the other direction, the imbalance in trading positions makes it easier for that push to continue faster and farther than it otherwise would.

Bond gains are outpacing stock losses, relatively, and Treasuries are leading the way for MBS. Whereas 10yr Notes are up 23 ticks in price (down 7.8 bps in yield), Fannie 3.0 MBS are up only 13 ticks to 101-11.

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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