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A Message from Ted Rood:

"Great stuff here on today's NFP report impact on bond markets."

The Day Ahead: Huge Jobs Report Guarantees One of Two Clear Messages For Bonds

It's no secret that the bond market has been on a tear for more than a month. 10yr Treasury yields dropped more than 30 basis points (0.30%) in December alone and quickly added to those gain on the first two trading days of January, dropping another 15bps. All of that strength makes it's own case for a corrective bounce, regardless of economic data. In fact, bonds **haven't been this 'overbought'** for this long since early 2012 although they were close in early 2016.

Either way, we're dealing with the **biggest and most meaningful bond rally** since the rising rate trend began after the mid-2016 Brexit-driven lows. The longer it lasts and the lower yields go, the more and more likely it becomes that we'll experience a correction. In fact, this correction may have already been shaping up before this morning's jobs report, with 10yr yields rising more than 5bps overnight.

Now, the jobs report has gone all-in and forced the bond market to turn its cards face up. Reason being: this is the **strongest jobs report** of the recovery by the time we include important internal components like wage growth and labor force participation. Such a jobs report provides a clear sell signal for bonds. In other words, a mathematical case for a bounce in bonds was already strong. After today's jobs report, it's now painfully obvious.

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	98.68	-0.01
10 YR Treasury	5.1281	-0.0061
30 YR Treasury	5.4763	+0.0005

Pricing as of: 11/16 7:51PM EST



Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30YR Fixed	7.51%	+0.01	0.00
15YR Fixed	7.04%	+0.01	0.00
30YR FHA	7.08%	+0.03	0.00
30YR Jumbo	7.52%	+0.02	0.00
7/6 SOFR	7.12%	-0.01	0.00
30YR VA	7.10%	+0.03	0.00

Rates as of: 11/16

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The case for a bounce is so obvious, in fact, that we stand to confirm **one of two very clear underlying messages** from markets. Either:

1. Bond strength is so entrenched that traders will shake this off and keep yields around 2.62% or lower

OR

2. Bonds are just going where they need to go based on economic data, the Fed's interpretation of the data, and safe-haven dollars freed up by stock market selling.

In the first case, bonds wouldn't weaken much more today, and simply holding near 2.62% would be a huge victory. The second case is more grim as it would serve as the cue for a bit of a correction to the recent trends--possibly in both stocks and bonds. Estimating the scope of that correction is **tricky business** and would largely depend on how big a bounce the stock market is able to achieve. There too, we could glean underlying messages from bonds in the event they're able to avoid rising back to the levels suggested by a hypothetical bounce in stocks.

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Responsive service, experienced expertise

I've dedicated my 26 year mortgage career to client education, superior service, and honest answers. The lending landscape has changed dramatically the past few years, and continues to do so. My job is to ensure client partners' loans close quickly, without surprises, and I take that responsibility very seriously. Referrals are a responsibility I appreciate; they're a measure of trust, and that trust must be earned every day, on every referral.

Ted Rood

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