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The Day Ahead: Bonds Break One Ceiling, But The Next One is More Important

Ever since bottoming out in early 2019, 10yr Treasury yields faced a pretty clear line in the sand from a technical standpoint. 2.82% stuck out like a sore thumb overhead due to multiple instances where it acted as a floor in 2018. It may have seemed too far away to worry about 3 weeks ago, but with 2.75% being broken yesterday/today, 2.82% is next in line.



Would a break above 2.82% be the **end of the world** for bonds? Not necessarily. In fact, in the biggest of pictures, as long as yields don't break above 3.26%, the longer-term outlook could remain positive. It would just be getting off to a rockier start compared to a scenario where yields are instead able to hold fairly steady in the 2.75-2.82 range until finding a reason to rally.

Either way, the longer-term outlook will depend on bonds finding that reason to rally. The list of **potential motivations** is fairly **short**:

1. Massive stock sell-off
2. Recession (with or without massive stock sell-off)
3. Some external eventuality (global economic weakness, for example) that precipitates #1 or #2 above

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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In the short term, risks look a bit **lopsided** for bonds. Traders assume that a government shutdown resolution will make for a bit of extra weakness. As we saw yesterday, any softening in tariffs or a tough trade stance would also likely hurt bonds and help stocks.

Long-story short, this is the **New Year correction** that it looked like we might not have to worry about back on January 3rd, when the new year was getting off to a great start for bonds. It just got started a few days late and has been muted by shutdown-related uncertainty. Without the shutdown, we'd likely be breaking that 2.82% ceiling today instead of 2.75%.

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