

Throughout the week, there was a general correlation between heavy losses in stocks and modest improvement in bonds/rates. This correlation is never a guarantee, but it's slightly more likely at times when stocks are making bigger moves. It also helps explain the uptick in Treasury yields after they bottomed out on Friday morning.



A longer term chart helps put the correlation in perspective. The past several weeks have marked a fairly large correction in stocks. Meanwhile, bonds have been holding a narrow, sideways range.



Nine times out of ten, if Treasury yields are holding a narrow, sideways range, the same can be said for mortgage rates, and the past several weeks are no exception.

MND 30yr Fixed Rate Mortgage Index



Looking ahead, rates will require more econ data in order to make up their mind on the next big move. This is a challenge because other reports delayed by the shutdown will take more time than normal. Data agencies have released updated schedules for most reports and unfortunately, the most important ones won't arrive before the December Fed meeting. That means December 10th will be the first Fed announcement in a long time that truly has potential to go either way in terms of a rate cut. This also increases the potential rate volatility associated with Fed day.