

ALERT: Losing Ground After 5yr Treasury Auction

- 5yr Treasury Auction
 - Yield 3.271 vs 3.283 1pm f'cast
 - bid-to-cover 2.28 vs 2.46x avg

This is a pretty big miss for a Treasury auction, although 5yr notes are volatile and stuck between the long and short end in a time where the curve is in a state of flux.

All that to say, 5yr swings can be forgiven a bit more than those seen in the 10yr. Nonetheless, this is a bad sign for bond market demand at the start of a supply-heavy, holiday-shortened week.

MB are quickly down almost a quarter point from pre-auction levels. Negative reprice risk is increasing quickly unless we see a big, immediate bounce.

10yr yields are now up 7bps again at 3.205.

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