

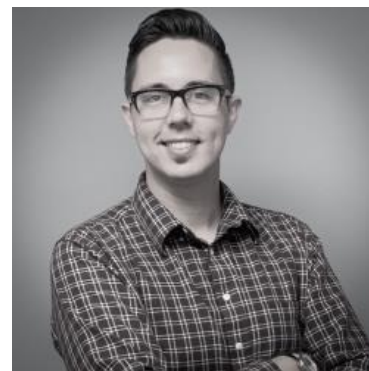
ALERT: Down About an Eighth After 5yr Auction

- 5yr auction
 - 4.121 vs 4.110 expectations
- bid to cover
 - 2.4 vs 2.36x avg

Bonds are losing ground after the 5yr Treasury auction even though it was only slightly weaker than expected. That said, bonds weakened a bit heading into the auction. In other words, it would have been an even weaker auction if not for the initial weakness in the noon hour.

10yr yields are still down on the day, but closer to unchanged levels at 4.243.

MBS are down an eighth of a point from the mid-day highs. Lenders who repriced for the better in response to those highs could technically consider negative reprices, but this tends to happen only among the jumpiest lenders in scenarios like this. A few more ticks of weakness would change things.



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