

MBS & TREASURY MARKETS

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ALERT: Modest Additional Weakness

(Edited: previous version had 5yr yield stats instead of 10yr)

Negative reprice risk is now slightly higher than at the time of the last alert. MBS are down several more ticks--9 on the day (.28) and 6 ticks (.19) from the AM highs. Given that the AM highs coincided with rate sheet print times, negative reprices are increasingly possible.

10yr yields are holding in line with their highs of the day, up 4.8bps at 3.777.

The 5yr auction was right on the screws and didn't have a meaningful impact on trading levels.



Lance Levin

JFQ Lending

JFQlending.com

P: 4806660245

M: 4807720003