

## UPDATE: MBS Move Into Positive Territory After 7yr Auction

- 7yr Treasury Auction
  - 4.215 vs 4.235 f'cast
  - bid to cover 2.74x vs 2.54x avg
  - primer on auction jargon

Bonds were near their weakest levels of the day with 10yr yields pushing over 4.33% ahead of the 7yr Treasury auction. Unlike yesterday's 2 and 5yr auctions, this one was met with decidedly stronger demand, even if it required higher yields to generate that demand.

The bid-to-cover at 2.74x vs 2.54x is the highest in several years at least. One could read it as voting for a supportive ceiling for yields--i.e. "OK, rates are finally high enough to buy some bonds." Unfortunately, the 7yr Treasury isn't the best representative of the sector, but it's nonetheless been worth a recovery today.

MBS are now up 2 ticks (.06) and 10yr yields are at their lowest levels of the day at 4.291.



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