

## UPDATE: Moderate Friendly Bump on Strong 10yr Auction

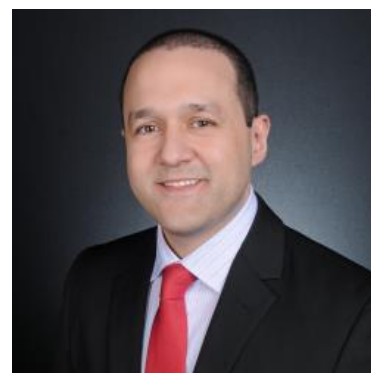
Negative reprices could still be coming in due to previous losses, but the auction results have helped bonds find a ceiling in yields (or floor in prices) for now.

The chief measurement of a Treasury auction is the extent to which the "high yield" (the yield awarded to bidders) comes in below or above the market's running estimate of the auction.

The running estimate comes courtesy of "when-issued" (or WI) yields. In today's case, the high yield was 4.435 compared to a WI of 4.465. This is the biggest beat (or what traders would call a "stop through") in several years, even if only made possible by today's heavy morning selling.

It's not a game changer overall, but it has stopped the bleeding. 10yr yields are now up "only" 11.3bps at 4.413 compared to 4.47 before the auction.

MBS are only down 22 ticks (.69) after being down nearly a full point before the auction.



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