# MBS Recap: 20yr Treasury Auction to The Rescue


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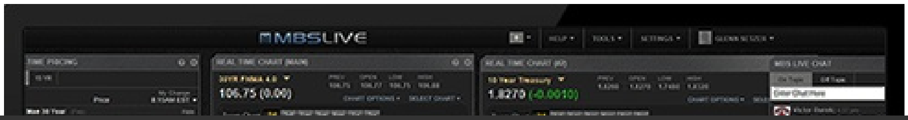
## 20yr Treasury Auction to The Rescue

MBS Recap Matthew Graham | 3:49 PM

The day began with a bond market that looked like it might take an opportunity to retrace a small portion of the gains seen in recent days.  Even at its worst, it wasn't that threatening (i.e. 10yr yields never rose above 3.98%). But any notion of a pull-back was effectively erased at 1pm with the results of the 20yr bond auction. Bids totaled 2.73 times the auction amount--right in line with the 6-auction average and the yield came in 1.3bps lower than expected. A 20yr auction wouldn't normally be an obvious market mover, but the muted range and dearth of data made the reaction more noticeable. With that, bonds moved back into positive territory on the day and held steady through the 3pm close.




Watch the Video

## MBS Morning

11:17 AM Modest Early Weakness. Was it About Time?

3:28 PM

## Econ Data / Events

- - Philly Fed Non-Manufacturing Biz Activity
    - -22.2 vs -12.3 prev
    - employment -4.5 vs +9.4 prev
    - new orders -17.4 vs +0.5 prev
    - prices 35.8 vs 38.8 prev

## Market Movement Recap

10:33 AM Losing some ground after opening stronger. MBS down 2 ticks (.06) and 10yr up 0.5bps at 3.974

01:52 PM Decent recovery after 20yr auction. MBS up 1 tick (.03) and 10yr down 1.8bps at 3.952

03:33 PM Just off best levels. MBS unchanged and 10yr down 1.5bps at 3.955

## Lock / Float Considerations

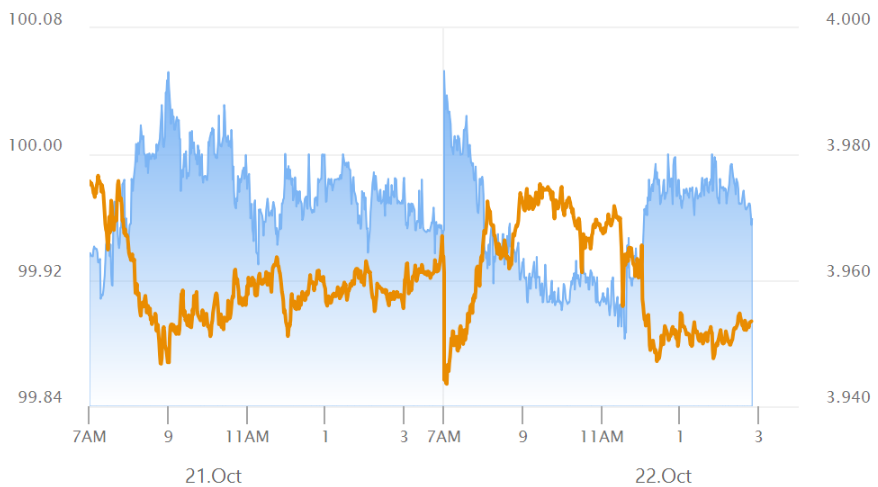
- As rates continue flirting with longer-term lows, risk-averse clients remain in lock mode. Meanwhile, risk-tolerant clients continue to enjoy the absence of any major corrections as they wait for more negative volatility to force their hand. The trend is your friend until it's not.

## Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
  - 4.48
  - 4.40
  - 4.34
  - 4.28
  - 4.19

- Floor/Resistance
  - 3.89
  - 3.99
  - 4.05
  - 4.12

## MBS & Treasury Markets




### MBS

| | |
|---|---|
| 30YR UMBS 5.0 | + |
| 30YR UMBS 5.5 | + |
| 30YR GNMA 5.0 | |
| 15YR UMBS-15 5.0 | + |

### US Treasuries

| | | |
|---|---|---|
| 10 YR | 3.955% | -0.015% |
| 2 YR | 3.445% | -0.007% |
| 30 YR | 4.540% | -0.007% |
| 5 YR | 3.554% | -0.012% |

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