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UPDATE: 10yr Auction Spoke Softly, But it Didn't Say Anything Terrible

Auction stats can be confusing. If you need a **refresher**, [here's the primer](#).

- 10yr Auction
 - Yield = 2.995 vs a when-issued yield of 2.995
 - Bid-to-cover = 2.56x vs an average of 2.3-2.4x (2nd highest BTC in more than a year)
 - Indirect bid = 63% vs average of 62%

In and of themselves, these stats are **just fine**. It's "A to A-" sort of stuff, especially if we're looking at the "on the screws" yield award (2.995). Reason being: the yield award for this type of auction (a REFUNDING) tends to come in 1.2bps higher than the when-issued yield. So it wouldn't have been a surprise to see a yield award of over 3.01%.

But when we consider the recent context, the auction is **just "OK."** In other words, we wouldn't be seeing these relatively strong stats if the auction had taken place 2 days ago when yields were under 2.95%. It took the recent bond market weakness to entice the strong demand. It would have been nice to see a real blowout that confirmed a deluge of demand for bonds with near-3% yields, but alas. It was more like "yes, we agree 3% yields make some sense and we are certainly willing to buy some at these levels."

That mild sort of praise/support has been worth a mild improvement since the auction. Emphasis is on "mild" as 10's are only down by about half a bp since 1:01pm (still up 2.64bps on the day at 2.999%). Fannie 3.0 and 4.0 MBS are still down an eighth of a point.

NOTE: recent spikes to extreme lows in MBS prices today are not "real," as you may have guessed if you've ever read this primer: [Why Did MBS Just Inexplicably Tank?](#)

MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.01	+0.23
MBS GNMA 6.0	100.96	+0.22
10 YR Treasury	4.5353	-0.0442
30 YR Treasury	4.6948	-0.0342

Pricing as of: 5/3 10:45AM EST



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