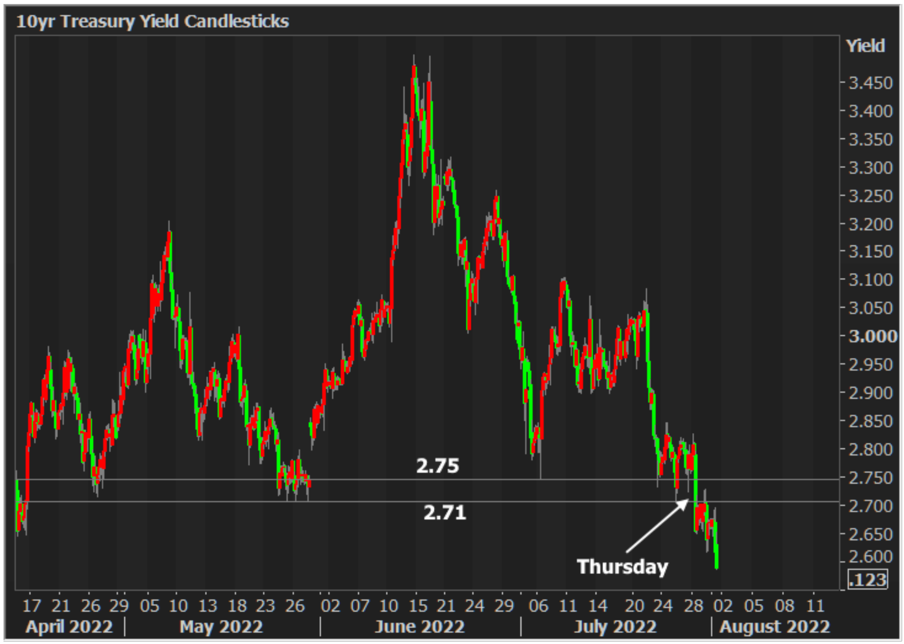
The Day Ahead: Big Data Week Brings Chance to Confirm Recent Shift

After several attempts to break through the low 2.7s in the past 4 months, 10yr yields finally made it into the 2.6s last Thursday and managed to hold those gains after a shaky start on Friday.



The chart above is hourly, which allows us to see last Thursday's pivot a bit better. The chart below is regular old daily candlesticks, which put the move and the 2.71-2.75 zone into broader perspective.

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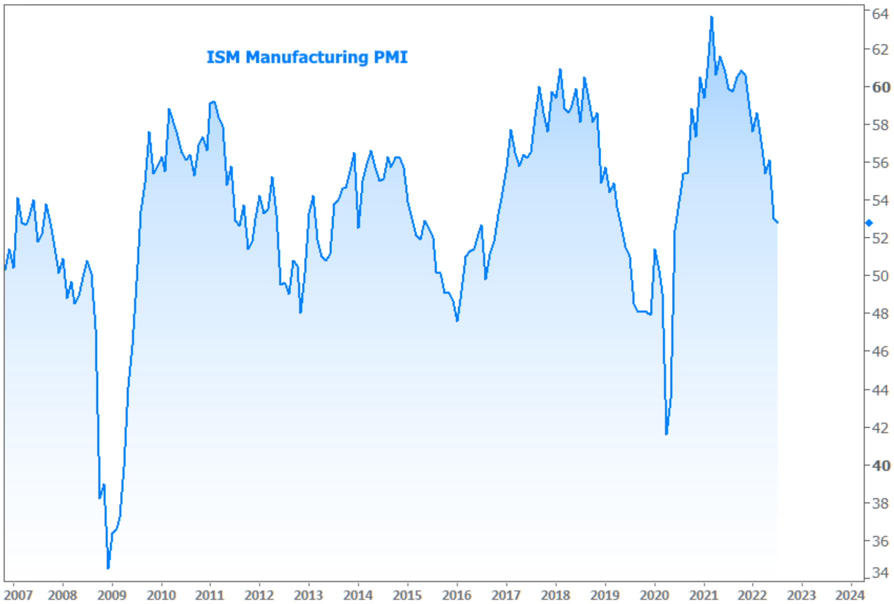
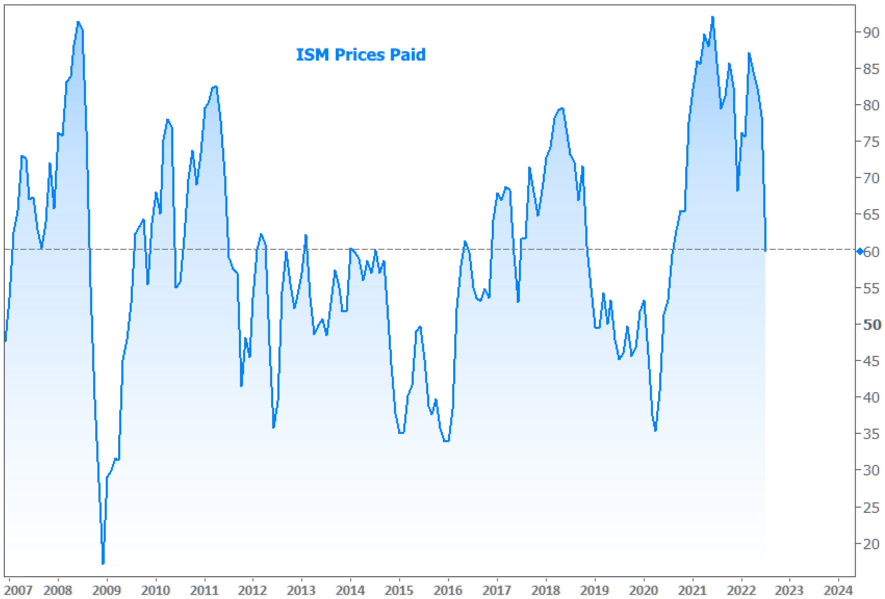
Considering the fact that economic data was instrumental in the bond market shift, the week ahead offers several additional opportunities (or tests?) in the form of big ticket reports. The 3 obvious examples: Monday's manufacturing PMI, Wednesday's services PMI, and Friday's jobs report.

The first of those is already out, and although the headline was slightly higher than forecast, it continues to point toward cooling in the sector.



The cooling is significantly more pronounced in the "prices paid" component. Keep in mind that anything over 50 still means prices are moving higher, but the pace of the increases has fallen sharply.



With inflation being the biggest consideration for bonds at the moment, it was no surprise to see yields fall to new multi-month lows after the report came out.