

MBS & TREASURY MARKETS

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The Day Ahead: Steadily Weaker Data Keeping Steady Rally Intact

Another day, another set of economic reports that offer no objections to the steady bond market rally of the past few weeks. Yesterday's heavy lifting came courtesy of JOLTS (job openings). Today's was more of a team effort with ADP employment missing the forecast at 8:15am and Labor Costs coming in well below the consensus at 8:30am. The Bank of Canada announcement and oil inventory data could be argued to be playing supportive roles. Bond yields dropped several bps after the data, but only in the longer end of the yield curve (10yr down 5bps, 2yr UP 2bps). This suggests the market doesn't see the Fed getting carried away with too many rate cuts in 2024.



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Some Bank of Canada (BOC) headlines

- BOC: HIGHER RATES ARE CLEARLY RESTRAINING SPENDING, LABOR MARKET CONTINUES TO EASE
- BOC WANTS TO SEE FURTHER, SUSTAINED EASING IN CORE INFLATION
- BOC: GLOBAL FINANCIAL CONDITIONS HAVE EASED AND OIL PRICES ARE \$10 LOWER PER BARREL THAN THE BANK HAD FORECAST IN OCTOBER.
- BOC: Indicators Suggest Economy Is No Longer in Excess Demand
- BOC: Economic Growth Has "Stalled"