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The Day Ahead: Bonds Showing Strong Desire For Econ Data

Is it any surprise to see a strong reaction to economic data when the phrase "data dependent" has come to unequivocally rule all other approaches to understanding the interest rate outlook? Yes, actually, it can sometimes still be a surprise because data dependency depends on the data being depended upon. In today's case, we have a report that has been inconsequential more often than not over the past decade, but increasingly relevant in the last 2 years. There could be some debate as to whether that's due to the gradual increase of acceptance for S&P's PMI data in a country where ISM has long been the dominant source of PMI data or whether it's simply due to the bond market's strong desire for econ data. Either way, it's a market mover today.



The reaction is so blatantly obvious that it begs the question as to how the underlying data justifies the move. After all, there wasn't a huge departure in Indices themselves. We'll focus on the services side of the economy here, just to keep the chart simple, but the takeaway from Manufacturing is no different.



Robert Shamie

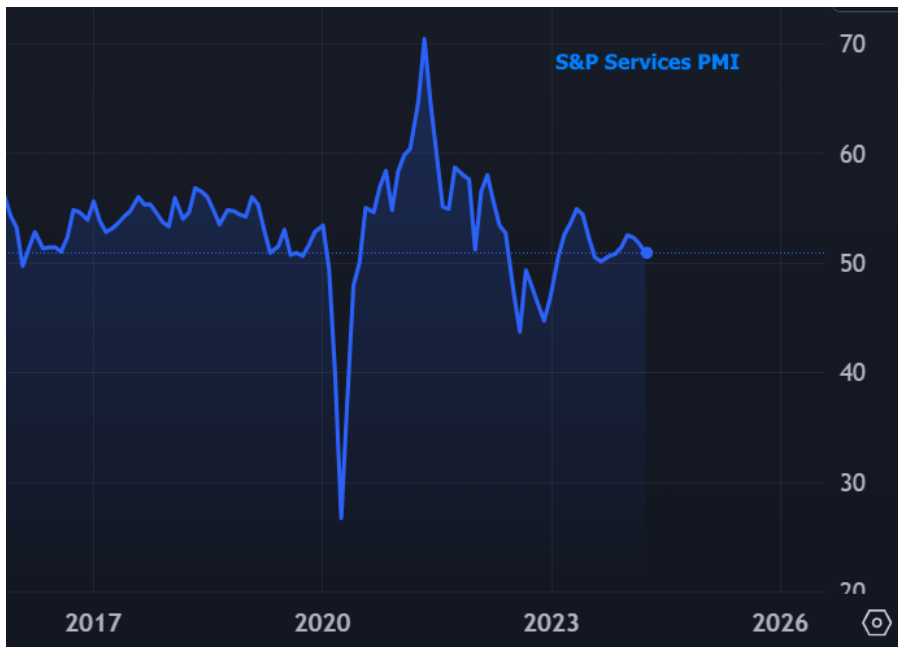
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P: (732) 686-9999 x101

M: (732) 859-2400





Broader context is helpful. Today's move in yields is well within the weekly range and not-at-all meaningful in the bigger picture. In other words, it becomes less impressive the more we zoom out.

