The Day Ahead: CPI Perfectly Matches Expectations, Making For The Lowest Possible Volatility

First off: the bond market rallied after the CPI data came out and remains in much stronger territory vs yesterday. That said, the more context we add, the more underwhelming today becomes. As we advised yesterday, even an "as-expected" CPI would result in bond market volatility and that's what we're seeing so far. Thankfully, the volatility is in favor of lower rates. This would have been the case without the weaker retail sales data, but that's certainly adding to the gains. With 10yr yields down only 6bps in the 10am hour, this is shaping up to be one of the least volatile potential reactions to today's data.

To emphasize the underwhelming volatility, we need only look back two weeks to the NFP reaction.

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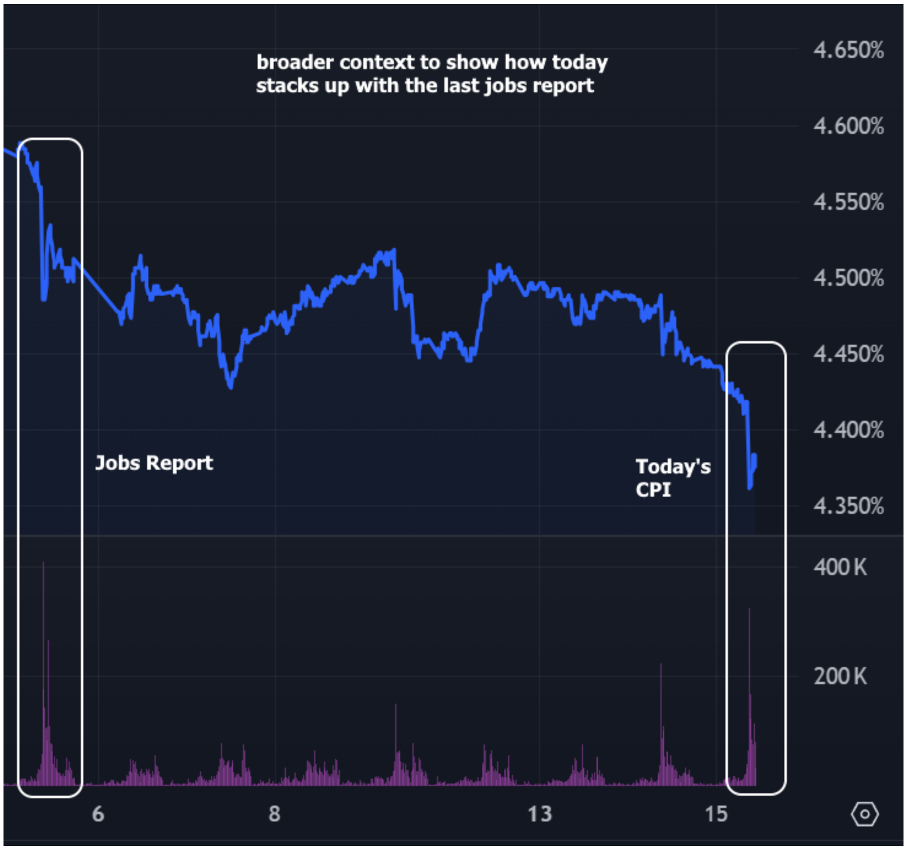

Last but not least, consider that the April 10th CPI reaction was nearly twice as big as the NFP reaction and in much higher volume.