

The Day Ahead: Another Round of Rate-Friendly Data, But Yields Look "Floored"

In a nutshell, this morning's economic data rapidly reversed the weakness seen after yesterday's Fed announcement, thus restoring the lowest yields achieved after yesterday's CPI data. Today's core monthly PPI is probably the bigger consideration, coming in at 0.0 vs 0.3--a big beat to be sure. Jobless Claims in the 240k+ zone also help, but there are some doubts as to the seasonal adjustment factors due to the way unadjusted data has bled through to adjusted data over the past two years.

Specifically, the big spike/drop in July/Aug is something that shows up in NON-Adjusted numbers, but is also showing up in adjusted numbers as seen below. This suggests the adjustments need adjusting and could be overstating the spike seen in claims today (emphasis on "COULD").



Perhaps those doubts play a role in the bond market having second thoughts about the pace of this morning's rally. Either way, yields look to have hit a solid floor when attempting to improve on yesterday's best levels.



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