

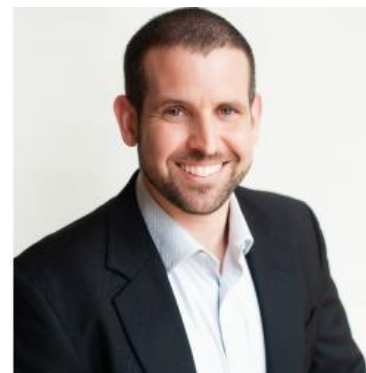
UPDATE: Counterintuitive Reaction to Weaker ISM Data

- ISM Manufacturing
 - 48.5 vs 49.1 f'cast, 48.7 prev
- ISM Prices Paid
 - 52.1 vs 55.9 f'cast, 57.0 prev

Bonds began the day in slightly weaker territory and continued selling--somewhat abruptly--at the 8:20am CME open. There continue to be few satisfying scapegoats apart from month-end/new-month tradeflows, but there are some connections to be drawn to European politics, Japanese Yen turmoil, and perhaps even implications of a shifting U.S. political narrative.

Almost every single component of the ISM data was weaker than the previous report. Despite that, and despite an initial rally, the bond market is actually slightly weaker than in the moments leading up to the data.

10yr yields are up 4.5bps at 4.441 and MBS are down an eighth of a point.



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