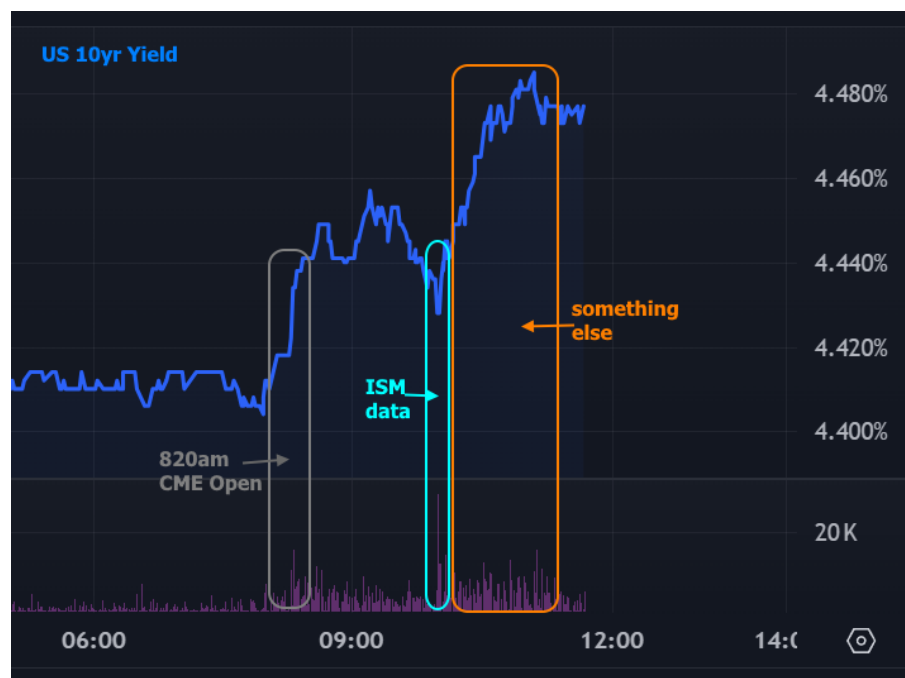


The Day Ahead: Yet Another Counterintuitive Sell-Off After Friendly Data

Friday's trading session was marked by a surprisingly weak reaction to economic data that should have helped bonds. In fact, it did at first, but things deteriorated as the day progressed. We were left to consider some combination of politics and month/quarter-end trading motivations. Now at the start of the new week/month/quarter, the same theme is in play. Weak ISM data should have helped bonds, but we're instead moving to the weakest levels in several weeks. This time around, it's harder to place all the blame on the calendar-based tradeflows. In other words, bonds are getting nervous about a GOP sweep because whether it's red or blue, a one party sweep has bad implications for Treasury supply.



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