



## The Day Ahead: Strong Start Despite Data Driven Volatility

It was easy to question the notion of "data dependence" in the first half of the week, largely because there wasn't much in terms of meaningful economic data. There were also several instances of mystery movement in bonds, forcing analysts to focus on curve trading as a thematic driver. What is curve trading?

In not so many words, there's been a bit of a mad dash to get out of long term and into shorter term bonds since late June. Sometimes the moves line up with data and/or Treasury auctions. Other times, they've been more serendipitous. Curve trading has transcended the available economic data so far this week, but today's data is finally enough to get the market's attention. It also happens to coincide with potential resistance to the extremely quick move in the yield curve over the past 2 days (starting right after the 2yr auction).

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Data has been a 2 way street this morning with an initial sell-off followed by a recovery that coincided with opening weakness in stocks. Admittedly, this is not the prevailing short term relationship between stocks and bonds these days, but that may change as the Fed rate outlook solidifies and as investors watch for signs of economic contraction and/or cooling in equities.