

# MBS & TREASURY MARKETS

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## The Day Ahead: Fairly Pronounced Reaction to ADP Data

The Fed's been saying it for several months and the market has been trading it accordingly for just as long: the focus has clearly shifted away from inflation and toward the labor market. The latest piece of evidence is this morning's ADP employment report. Despite coming in only modestly higher than forecast (143k vs 120k), bonds have sold off by more than a meaningless amount. The most obvious takeaway is that Friday's jobs report is a big potential turning point for rates if it comes in much better or worse than expected. On a positive note, yields remain under last week's highs and thus still technically in the sideways range associated with the end of the post-Fed correction.



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