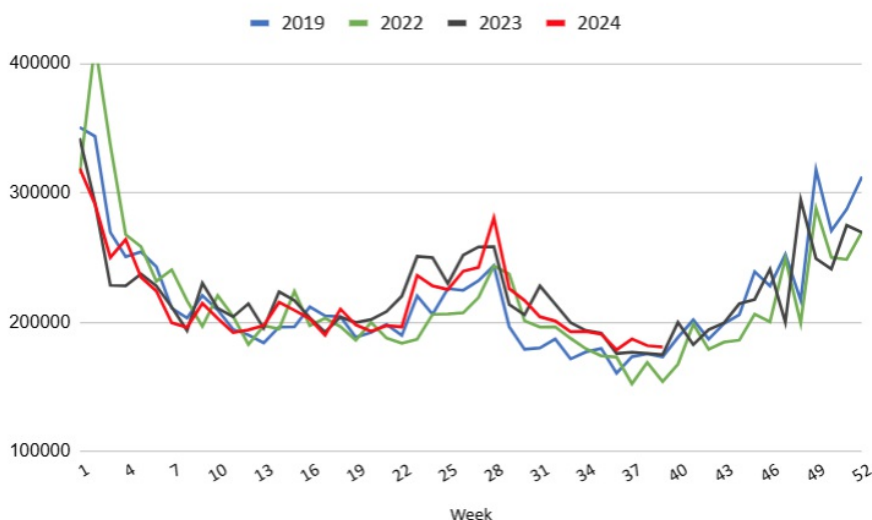


## The Day Ahead: The Consolidation Game is Over

There are some labor market reports that cause some concern about a weaker job market. And while Jobless Claims is often thought to be a leading indicator, it is not one of those reports. Today's release is the latest example. The 225k headline is a bit higher than the forecast of 220k, but still right in line with trends from the 3 most recent, "normal" years.

Jobless Claims, Week by Week, Not Seasonally Adjusted



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As such, the data offered no support for moderate weakness in the bond market. As for the nature of that moderate weakness, it's still best viewed as a broad consolidation following the extended rally leading up to the Fed's rate cut. There are several ways to look at it. You could say the market got a bit ahead of itself or that Powell has been a bit more hawkish than the market expected, or that the data hasn't seen the incremental deterioration needed to sustain the pace of the longer-term rally.

Either way, the consolidation has been orderly, and even with this morning bringing yields in line with their highest levels in a month, the whole thing still looks flat and sideways over the past 2 weeks. By getting to this point today, the consolidation game is over because tomorrow's jobs report decides the next move. All that's left for today is ISM Services--a report that certainly could cause some last minute excitement, for better or worse.

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