

## The Day Ahead: Deceptively Resilient After Stronger Data

It's been an interesting morning for the bond market so far. ADP employment came in much stronger than expected. 15 minutes later, Q3 GDP was slightly weaker (2.8 vs 3.0) but with higher core inflation seen in core PCE prices (2.2 vs 2.1). This is the only Q3 GDP report that is a relevant market mover because the next two will be exceedingly stale by the time they come out. Bottom line, between ADP and PCE, bonds had a reason to sell and that's what they did... at first. A few short minutes after GDP, 10yr yields turned around and moved to the lows of the day. This is a bit deceptive considering what's going on in the short end of the yield curve where 2yr Treasuries are losing much more than 10s are gaining.

Moreover, as the morning progresses, 10s are moving into weaker territory (just not as weak as 2s).



Any time you see a big discrepancy between 2 and 10yr trading, consider that the market may simply be focusing on something that is impacting Fed rate cut/hike odds. That is arguably the case this morning, with the data causing traders to pare bets on the Fed's rate cut trajectory--not so much for the next meeting or two, but more so for the first half of next year.



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