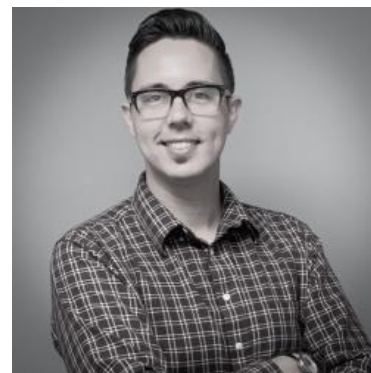


The Day Ahead: Bonds Face Headwinds From Stronger AM Econ Data

All 3 of this morning's 8:30am economic reports were stronger than expected, and the 9:15am report was right in line with expectations. Of these, Retail Sales is the headliner, coming in at 0.4 vs 0.3 f'cast. Additionally, last month was revised up to 0.8 from 0.4. That's fairly bad news for the bond market, but it's mitigated somewhat by the softer internal components (measures that exclude certain volatile components like autos/gas/building materials were below forecast). The bond market seemed to take some solace in those "yeah buts" at first, but yields are back to their highs of the day ahead of the 9:30am NYSE open--a time of day that has generally been volatile for bonds this week.



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