UPDATE: Slightly Weaker After PMI Data, But Some Solace From Internals

- S&P Services PMI
  - 57.0 vs 55.2 f'cast, 55.0 prev

The word "internals" in economic data refers to additional components of any given report that add context and nuance beyond the headline. Taken at face value, today's PMI headline is bad for bonds, and indeed, the most immediate reaction involved a quick jump in yields, but the internals had some mitigating factors.

Specifically, the inflation component of the data cooled off quite a bit. S&P noted: "The latest easing pushed the rate of inflation further below the prepandemic long-run average, with an especially marked moderation of inflation seen in the services economy, where charges rose only marginally and at the slowest rate since May 2020."

If there's one thing that can help rates move lower despite a strong economy, it would be below-target inflation. Granted, it would take several months of similar data across multiple reports to make a big difference, but at the very least, it's helping mitigate some of today's damage.

MBS were already moving lower after opening stronger and they're all the way back to unchanged now. 10yr yields are still down almost 1bp at 4.41, but up from AM lows of 4.38.

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