

## UPDATE: Big Miss in S&P PMI. Good Reaction in Bonds

- S&P Services PMI
  - 49.7 vs 53.0 f'cast, 52.9 prev
- S&P Manufacturing PMI
  - 51.6 vs 54.5 f'cast, 51.2 prev

Bonds were already in modestly stronger territory ahead of this morning's most relevant economic report (services PMI). The drop below 50 in any PMI is always notable because it is a psychological indicator of contraction vs expansion. In this case, S&P notes "the deterioration in February was primarily a reflection of increased uncertainty about the business environment, especially in relation to federal government policies related to domestic spending cuts and tariffs. Worries over higher prices, and broader geopolitical developments were also noted."

10yr yields are down 4.3bps at 4.463 and MBS are up a quarter point.

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