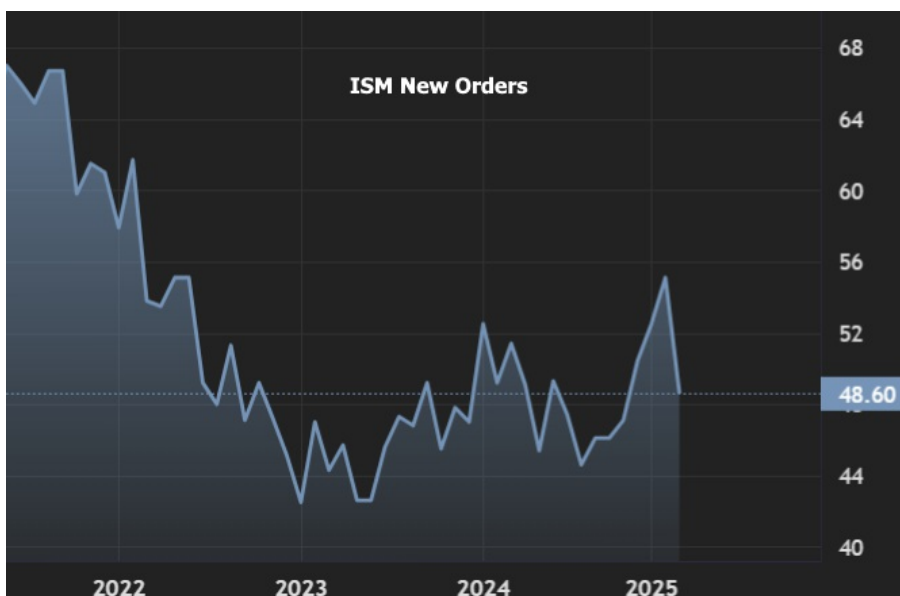
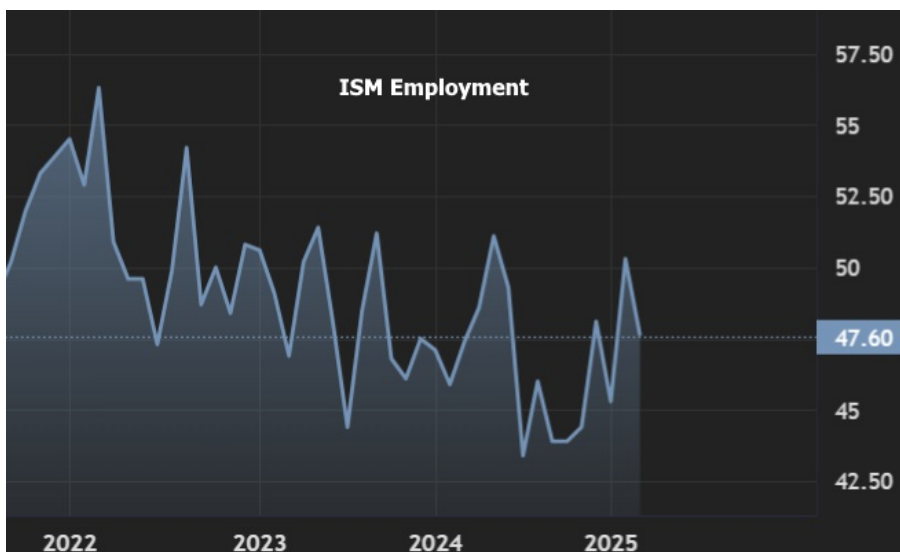


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The Day Ahead: ISM Data Makes For a Strong Start

Bonds began the day in moderately weaker territory with most of the losses seen right at the start of the overnight session in Asia. With it being the start of a new month, the volatility is well within the range of normal expectations. Traders were already buying the dip in bonds in the first 2 hours of the domestic session, but gains kicked into higher gear after the ISM data at 10am ET. At face value, the headline of 50.3 vs 50.5 wasn't grounds for a rally. Digging deeper, we see that it was only prices propping up the headline while the rest of the components tanked (employment and "new orders" specifically). While it's true that bonds don't like higher prices, in this case, the economic implications from the other components outweigh the price pressures--especially with a weak employment reading several days before NFP.



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