The Day Ahead: Big Old Rally After HUGE Downward NFP Revisions

Non-farm payrolls came in at 73k vs 110k, which is a pretty good thing for the bond market in and of itself. But the bigger story is in the net revisions to the last 2 months. 139k reported in June became 19k. 147k reported last month was revised to 14k! That means, on average, the last 2 NFPs were 126.5k lower.

Nonfarm Payroll Employment: Revisions

		Seasonally adjusted					
		Over-the-month change			Revision* in over-the-month change		
Month	Year	1st	2nd	3rd	2nd - 1st	3rd - 2nd	3rd - 1st
Jan.	2025	143	125	111	-18	-14	-32
Feb.	2025	151	117	102	-34	-15	-49
Mar.	2025	228	185	120	-43	-65	-108
Apr.	2025	177	147	158	-30	11	-19
May	2025	139	144	19	5	-125	-120
Jun.	2025	147	14		-133		
Jul.	2025	73					

Initial NFP | Most Recent Revision | Difference Between the Two

It completely reframes the current picture of the labor market in a way that argues for a rapid re-evaluation of Fed rate cut odds. The market agrees. Fed Funds Rate (FFR) expectations are plummeting.

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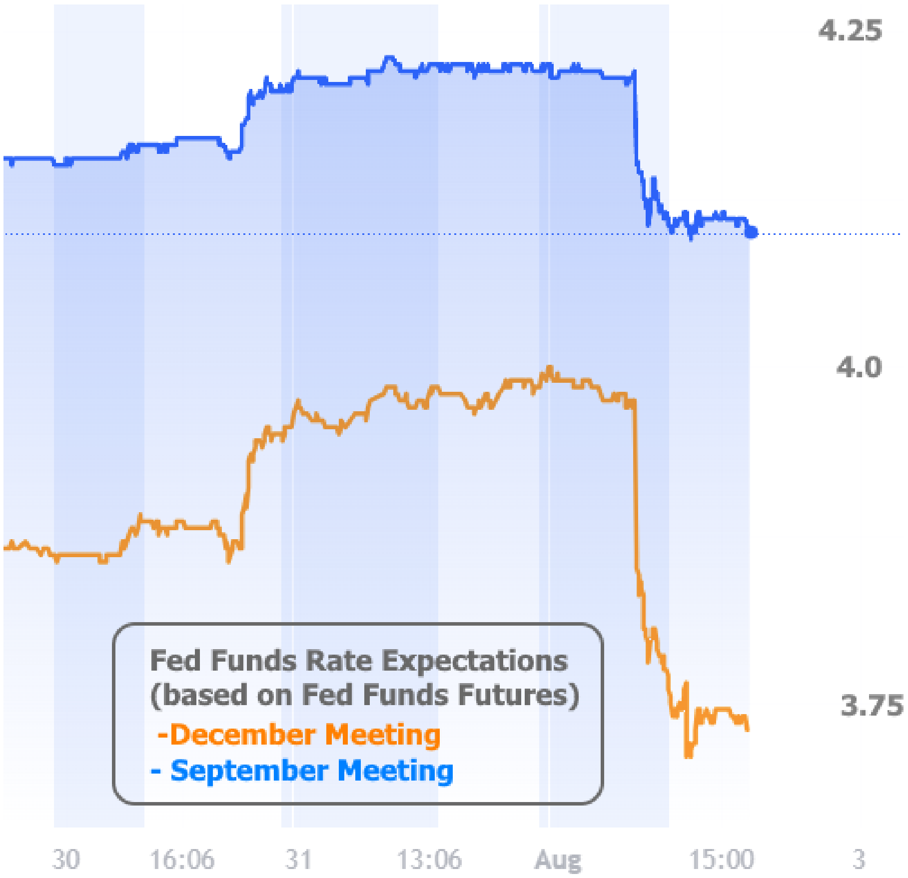

2yr Treasury yields (more closely tied to FFR) are on fire--down more than 22bps! That's hot enough to warm up the rest of the yield curve with 10yr yields down more than 13bps at 4.239.

MBS are up half a point. On a separate note, there's a lot of unfortunate commentary on social media about revisions and the Fed being 'too late' in light of the revisions. We'd note that in the past, when revisions like this have happened, the Fed has been quick to acknowledge and adjust. September's Fed meeting (and the next NFP that comes out 2 weeks prior) just became orders of magnitude more interesting than the Dos Equis guy.