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The Day Ahead: Modest Recovery Ahead of Econ Data

After hitting the highest yields in more than a month yesterday, bonds have managed to pick up a few bps. The bulk of the recovery was already in place by yesterday's close, but yields dropped another 2bps after war-related headlines just after 8am (US general said Iran's attacks yesterday were below the threshold for war). Oil prices and bond yields continue the same old correlation.



Coming up at 10am ET, we'll get 2 economic reports that have historically been capable market movers: Job Openings and ISM Services. We've seen some evidence that the market is still willing to react to data if it's far enough from expectations, but that risk is a bit asymmetric at present. Reason being: investors are waiting for economic weakness to show up due to high fuel prices. So it doesn't take as much of an upside surprise in the data to cause bond market weakness. Conversely, if data is slightly weaker than expected, that would be less of a surprise to most investors and thus not as much of a benefit to bonds.



Nathaniel Rutkoski

Mortgage Broker, Zoom Loans

www.ZMLoans.com

P: (408) 767-6311

M: (209) 362-4843

2140 W Grantline Rd
Tracy CA 95376

NMLS# 356590

ZOOM LOANS



Melissa Jimenez

Realtor, Realty ONE Group Zoom

melissajimenezrealtor.com

P: (209) 627-0612

mjrealestate12@gmail.com

01916015

ONE REALTYONEGROUP
ZOOM

