



## The Day Ahead: Red Night, Green Morning After Weaker Jobs Data

Bonds continued drifting gently higher in the overnight session with 10yr yields just barely edging above 4.50% before today's big jobs report (the only calendar event of note before the holiday weekend). The reaction is perfectly reasonable given the data results. The payroll count was weaker (57k vs 110k, with another -71k of revisions) and bonds rallied immediately. If the 4-5bp rally in 10yr yields seems like less than you'd expect, turn your attention to 2 year yields which fell at a much quicker pace. This is a factor of its closer connection to the Fed Funds Rate (which makes sense if you consider "2 years" is closer to the duration of loans made at the Fed Funds Rate than "10 years"). From here, bond traders that remain at the desk will be eying exits at 2pm ET. Any remaining volatility may be a simple factor of light trader participation. Log today as a victory and wait for price discovery next week.

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Here's a fun little chart that puts quarter-end volume and volatility into perspective relative to a jobs report reaction:

