The Day Ahead: Why Bonds Aren't More Excited About The Jobs Report

MBS are up more than 3/8ths and the 10yr is down almost 6bps at the lowest levels in a week after the job count came in at 29k vs 90k f'cast. That's the good news. But if it seems like the rally should be bigger for such a hotly anticipated report, there's a reason. First off, we need to remember that it takes fewer jobs created to keep unemployment stable these days. Even the Fed has said to focus more un the unemployment rate. In today's case, it only rose to 4.175% from 4.141% last month. Moreover, it did so despite the participation rate rising 0.2%. In other words, had it not been for that 0.2% uptick in participation, Unemployment would have come in at 3.951%. Bottom line: this report wasn't really weaker than expected apart from wage growth. The market just hasn't figured out how to forecast NFP in a low-growth labor force.

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