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A message from Marc Erickson:

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The Day Ahead: Super Strong Jobs Report NOT Hitting Bonds Like You'd Expect

Nonfarm payrolls came in 100k higher than forecast and the unemployment dropped even as the participation rate moved higher. That's a recipe for a bond market sell-off if we ever saw one. But apart from an initial knee-jerk sell-off, yields returned back in line with pre-NFP levels within 8 minutes and haven't moved much since then.

What gives? Well... we expect that this is one of those days where market commentators are forced to adapt their narrative to the trading as opposed to hoping the trading would validate their narrative. One caveat is that professional/biz services accounted for +70k of the 165k total, whereas it has averaged +15k over the past year. This isn't enough to discount the strength of the data. In fact, it's a genuinely strong report. Bonds simply don't care (apart from ultra short term bills and Fed Funds Futures). Neither did stocks for that matter.



In the interest of analytical authenticity, here are the only thoughts we would have shared even if bonds were selling off in response to this data (perhaps some of the resilience coincides with some of these to some extent, but if anyone tells you they saw this market reaction coming, yell at them and tell them to tell you ahead of time next time so you can both make some money trading).



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- Bonds were already 3+ bps weaker overnight
- Fed recently and explicitly said it's focused on inflation side of mandate (mentioned yesterday as well)
- Bonds have been primarily taking cues from AI deflation trade
- Tech stocks moved modestly higher overnight, and bonds might not want to get carried away selling off if the tech rout might have an encore
- Stocks/Bonds are also still trying to make sense of what election results might imply about the tech trade (and data center buildout pace, which could imply a downgraded view of corporate bond issuance, thus helping Treasuries/MBS).

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