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A message from Marc Erickson:

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The Day Ahead: Stunningly Small Reaction to Strong Econ Data

GDP, core durable goods, and jobless claims all came in much stronger than expected. PCE inflation was right on target and supercore was actually lower. Despite all that, bonds did absolutely nothing at 8:30am and even managed to improve since then. The trading is completely disconnected from the data for a few reasons. First, these reports are not top-tier market movers. PCE is the most important for bonds, but largely already known based on the CPI/PPI data that came out 2 weeks ago. Second, the bond market is more interested in forward looking indicators like the stock market swoon (stocks aren't always an economic indicator, but they are right now). Third, it's the day before thanksgiving and market movement can be less logical than during more liquid/active times of year. That implied volatility risk will increase throughout the day as traders leave early, but as always, it can play out in either direction.





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