

# Counterintuitive Rally And Asymmetric Risk

By: Matthew Graham | Thu, May 2 2024, 4:26 PM

Bonds began the day in slightly stronger territory and managed to hold the gains after the early economic data which consisted of unfriendly readings in Challenger layoffs, Jobless Claims, and Q1 Unit Labor Costs. All three spoke to ongoing labor market strength with the latter adding some inflationary fuel to the fire. But the bond market is apparently tired of reacting to the alarming data from Q1 and March. Instead, the perfect adherence to previously established technical levels (4.64 and 4.57 in terms of the 10yr) suggests intraday volatility was a factor of positioning and short-covering ahead of Friday's jobs report. There is some asymmetric risk potential on Friday considering how unfazed bonds seem to be by yet another unfriendly report (with the implication being a greater willingness to chase the bid on a downbeat jobs number). Just remember, the previous sentence tells us nothing about the direction of trading—only probable magnitude.

## Econ Data / Events

- - Jobless Claims
    - 208k vs 212k fcast, 208k prev
  - Continued Claims
    - 1774k vs 1800k fcast, 1774k prev

## Market Movement Recap

08:34 AM	10yr up from 4.592 overnight lows to 4.621 (still down 1.3bps on the day). MBS are still up an eighth of a point, but down 2 ticks (.06) from the highs.
12:37 PM	Some weakness into the 9am hour, but now at the best levels of the day. 10yr down 4bps at 4.593. MBS up just over a quarter point.
03:18 PM	Flat at best levels. MBS up nearly 3/8ths and 10yr down 5.6bps at 4.578

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