

ALERT: Bonds Losing Ground After 8:30am Data, Mainly PCE Prices

- Jobless Claims
 - 207k vs 214k f'cast, 212k prev
- Continued Claims
 - 1781k s 1814k f'cast
- GDP
 - 1.6 vs 2.5 f'cast, 3.4 prev
- Q1 PCE Prices
 - 3.7 vs 3.4 f'cast
- Wholesale Inventories
 - -0.4 v s +0.2 f'cast

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While the GDP headline is bond-friendly (Treasury's actually rallied for a moment), the PCE price swing is significant. This is far bigger than the average beat/miss and it comes at a bad time. Only once every quarter does the GDP/PCE data matter. This is that quarter because the PCE component of the GDP data is informed by the PCE price index that will be released tomorrow morning. That's the one that the Fed refers to as its preferred gauge of the 2% inflation target.

By coming in so much higher than expected, the implication is for a higher than expected reading tomorrow morning. The only silver lining is that today's number is all prices while tomorrow's most important number will be "core" PCE (which might not be so lopsided).

Either way, bonds aren't taking any chances. 10yr yields are up 4.5bps at 4.687 and MBS are down almost a quarter point.