

# MBS & TREASURY MARKETS

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## UPDATE: Core PCE Surprises By Sticking With Consensus

- Monthly Core PCE
  - 0.3 vs 0.3 f'cast, 0.3 prev
- Annual Core PCE
  - 2.8 vs 2.6 f'cast, 2.8 prev

After yesterday's somewhat dire implications from quarterly data, today's monthly numbers are surprisingly in line with forecasts. Quarterly numbers were 0.3% higher than forecast, suggesting that today should have been 0.4 or 0.5 at least for the monthly number.

As such, the 2.8 vs 2.6 forecast for the annual number is being taken in stride and markets are focusing on the 0.3 vs 0.3 f'cast being better than expected--not that it's actually better than the forecast, but remember that forecasts come from economist surveys and it was too late to re-survey on the fly yesterday. Traders certainly no longer expected 0.3.

Bonds are rallying with 10yr yields down 4.8bps at 4.655. MBS are only up an eighth so far, but should pick up a few more ticks if the Treasury rally holds.



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