

MBS & TREASURY MARKETS

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UPDATE: Stronger GDP/PCE Data Eroding Some of The Overnight Rally

- Jobless Claims
 - 235k vs 238k f'cast, 245k prev
- Durable Goods
 - -6.6 vs 0.3 f'cast, 0.1 prev
- Nondefense ex-air Durable Goods
 - 1.0 vs 0.2 f'cast, -0.9 prev
- GDP
 - 2.8 vs 2.7 f'cast
- Core PCE Prices Q/Q
 - 2.9 vs 2.7 f'cast

The most problematic data this morning is in the quarterly GDP report (which includes a quarterly reading of the PCE price index where one of the months of the quarter is the same PCE data that will be reported tomorrow). That means a higher risk that June PCE prices are above expectations tomorrow, thus casting some doubt on the resounding inflation victory suggested by the June CPI data out 2 weeks ago.

Bonds had rallied sharply in the overnight session, mostly on the back of weaker econ data in Europe, but we're giving up some gains after this data. 10yr yields are still down 5.7bps at 4.232 and MBS are still up 7 ticks (.22).



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