

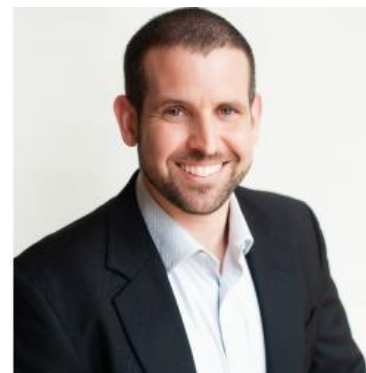
UPDATE: PCE Comes in Just Below Forecasts. Bonds Aren't Mad

- M/M Core PCE
 - 0.1 vs 0.2 f'cast, 0.2 prev
 - Unrounded 0.13
- Y/Y Core PCE
 - 2.7 vs 2.7 f'cast, 2.6 prev

PCE inflation data only wishes it could be in the same league as CPI when it comes to the ability to influence bond market trading levels. Moreover, inflation data now only wishes it could be the jobs report in that same regard (despite arguably being the more important indicator up until several months ago).

Still, a 0.0 core M/M reading would have likely helped bonds noticeably and a 0.4 reading would have hurt. We surmised that the latter would hurt more than the former would have helped and the market reaction so far is in agreement (perhaps due to the unrounded number being on the higher side).

Bonds were already slightly stronger before the data and have extended the gains by a hair in its wake. 10yr yields are down 2.9bps at 3.769 and MBS are up an eighth of a point.



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