

MBS & TREASURY MARKETS

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UPDATE: Some Additional Weakness After GDP Data

- GDP Q3
 - 2.8 vs 3.0 f'cast, 3.0 prev
- Core Q3 PCE price index
 - 2.2 vs 2.1 f'cast, 2.8 prev

All things considered, bonds are holding up fairly well. The 2.2 vs 2.1 in the core PCE data suggests a risk that tomorrow's monthly PCE will be slightly higher than expected, but today's Q3 number doesn't specify which months of Q3 account for the which percentage of inflation. If it was more focused on July and August, then tomorrow's report for September may not be higher than forecast.

Bonds added just a bit of selling pressure after this data, but already seem to be having second thoughts. 10yr yields are up less than 1bp on the day at 4.262. MBS are down 5 ticks (.16). The underperformance is in line with the shorter end of the yield curve, which is reacting a bit more to today's data.



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