

The Day Ahead: Stronger Start After Cooler PCE, But Don't Expect Miracles

This week's biggest to-do in terms of economic reports was this morning's PCE inflation data. The fact that the Fed just said it was shifting its primary focus away from the labor market and back toward inflation made PCE all the more interesting. Thankfully, it came out lower than expected at the core level, both in monthly and annual terms (a nice development considering yesterday's Q3 numbers were higher than expected). The unrounded monthly number of 0.11 was very close to the rounded 0.1%. Bonds rallied in response, but the gains have been modest in comparison to Wednesday's losses.



In addition to the modest response to the PCE data, it's also important to remember that PCE isn't the only market mover in play. It's the end of the week and effectively the end of the year for many traders. Year-end trading can have its own impact on yields, regardless of economic data. This could create a situation where we see selling pressure later today for no apparent reason. That said, it could also create buying demand, but that hasn't been the norm for this year's suspected year-end trades.



John Small

Mortgage Loan Officer,
DMV Home Funding L.L.C.

www.dmvhomefunding.com/jsmall
jsmall@dmvhomefunding.com

14151-A Robert Paris Court
Chantilly VA 20151
DMVHF NMLS#1874961
MLO NMLS#1712144

