

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.



Adam Fuller

Senior Loan Officer,
Mortgage 1 Inc.

www.m1gr.com/af

P: (616) 552-4663 x2

afuller@mortgageone.com

3243 East Paris Ave. SE
Grand Rapids MI 49512
1317422

