

## UPDATE: Slightly Weaker After PCE Comes in on The Screws

- Core PCE, MM
  - 0.2 vs 0.2 f'cast, 0.1 prev
- Core PCE, YY
  - 2.8 vs 2.8 f'cast, 2.8 prev
- Employment Cost Index
  - 0.9 vs 0.9 f'cast, 0.8 prev

The Fed's inflation target is 2.0%. Today's annual reading wouldn't have come close even if inflation ran much cooler than expected last month. Solace is sometimes found in taking an annualized view of monthly readings, but  $0.2 \times 12 = 2.4\%$ .

While this was perfectly in line with forecasts, it's still not showing the traction that bond bulls are looking for. A similar lack of traction in the Employment Cost Index has bonds backtracking a bit.

MBS are down a quick eighth of a point after starting unchanged. 10yr yields are up 2.5bps at 4.54.



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