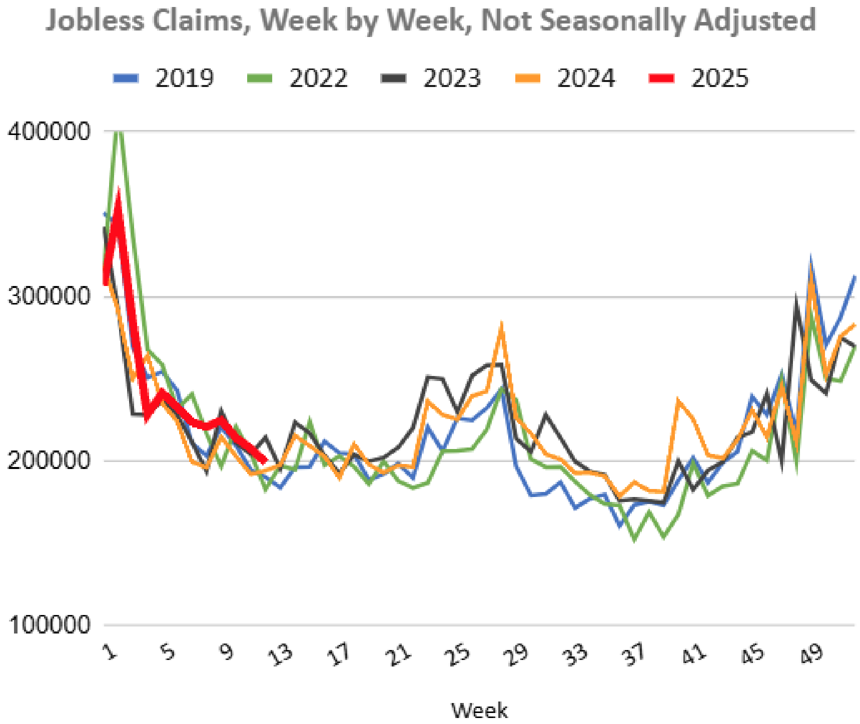
The Day Ahead: This Isn't The PCE We're Looking For

If you're just joining us, here's a brief history of the last few decades as it concerns inflation and interest rates. Inflation was an overblown concern among market participants who were scarred by the early 80s. It consistently failed to matter or materialize until 1980s style hyperinflation came roaring back post-covid. Since then, inflation data is once again a top tier market mover and the PCE price index is the most important of the 3 main government price indices. But PCE is tricky for a few reasons. First off, the other two indices come out 2 weeks earlier and allow PCE to be more accurately predicted. Also tricky is a day like today where we have a PCE price index update as a part of the GDP report. This isn't the PCE you're looking for! It pertains to Q4, 2024. Tomorrow's PCE release is for the month of February, and that's the more timely/relevant installment of the data. Today's just finalizes revisions to December's PCE reading and thus finalizes the Q4 price index.

In other news of the same category (things we're not looking for), today's jobless claims data is also not the labor market weakness we're looking for. 2025 continues looking like the past 4 non-lockdown-affected years.



Bonds aren't upset though. There's even been a modest rally after the glut of AM data, but we're still slightly weaker vs yesterday.

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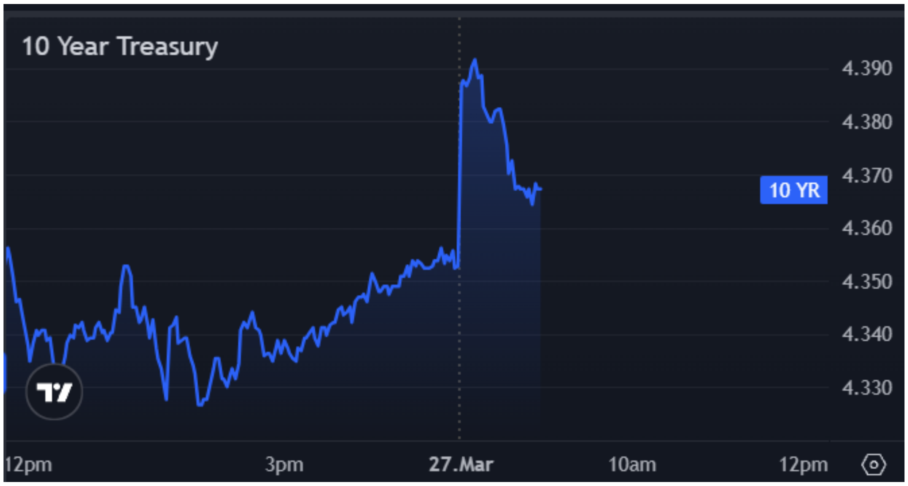
10 Year Treasury
4.390
4.380
4.370
10 YR
4.360
4.350
4.340
4.330
12pm
3pm
27.Mar
10am
12pm