

# MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

## The Day Ahead: Paradoxical Reaction to Slightly Higher Inflation

Inflation, via this morning's PCE price index, came in slightly hotter than expected, but bonds are rallying in response. There are a few ways to approach this paradox both in the long and short term. On a more nitty gritty level, the unrounded PCE numbers were fairly close to consensus and that can always help mitigate unfriendly data. In the bigger picture, we can consider a few other factors. On a data-related note, annual PCE (non-core) stayed at 2.5% vs 2.5%--not too terrible considering a 2.0% target. Data aside, we can also consider the gap that we've discussed several times this week and the fact that bonds could simply be rallying because it was finally filled yesterday.



**Ray Evans**

Loan Officer, Element Home Loans

[www.Elementhl.net](http://www.Elementhl.net)

**P:** (470) 481-3947

**M:** (770) 309-2155

[rayevans@elementhl.com](mailto:rayevans@elementhl.com)

326 Lake Forest Drive

Newnan GA 30265

218350

