

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.



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

