

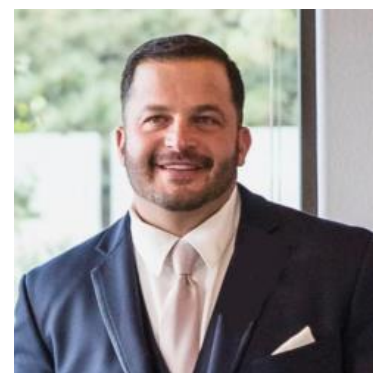
ALERT: Bonds Losing Ground Despite Weaker GDP Headline

- Employment Cost Index
 - 0.9 v 0.9 f'cast, 0.9 prev
- GDP
 - -0.3 vs +0.3 f'cast, 2.4 prev
- Core PCE QoQ
 - 3.5 vs 3.3 f'cast, 2.6 prev
- GDP Final Sales
 - -2.5 vs +3.3 prev

Bonds began the day slightly stronger, but are pulling back to negative territory after the GDP data. Although the headline was weaker, much of that was driven by a big jump in the trade deficit that traders can explain away as front-running tariff changes. Factoring out inventory changes, GDP was up 3.0%, which is just fine, obviously.

In addition, the 3.5 vs 3.3 result in QoQ PCE prices. This creates a strong possibility that the monthly PCE price data will be higher than expected at 10am this morning.

10yr yields are now up 2.5bps at 4.203 and MBS are down 2 ticks (0.06).



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