

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



Chris Guccione

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).