

MBS & TREASURY MARKETS

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The Day Ahead: Lots of Econ Data and Mixed Messages, But Not Much Change in Bonds

In terms of line items, Wednesday morning is the week's most active morning for economic reports. Several of them were potentially important, but the net effect has been muted so far. In fact, MBS are perfectly unchanged despite an initial sell-off at 8:30am. Long story short, GDP was a bit better than expected after accounting for the impact of a pre-tariff import surge, and the Q1 inflation data was also higher than expected. This sent bonds into weaker territory at first. A flat Treasury refunding announcement helped, as did additional digestion of GDP internals (auto purchases had an outsized impact, and spending far outpaced income growth). The 10am monthly reading on PCE inflation showed that March was tame, but much like CPI/PPI 2 weeks ago, March inflation data is being discounted as not reflecting tariff impacts yet.



Wells Fargo's economics team does an excellent job of getting timely charts out on mornings like this, so we'll lean more heavily on those than normal, with a big hat tip.

The first chart shows the income vs spending discrepancy mentioned above.



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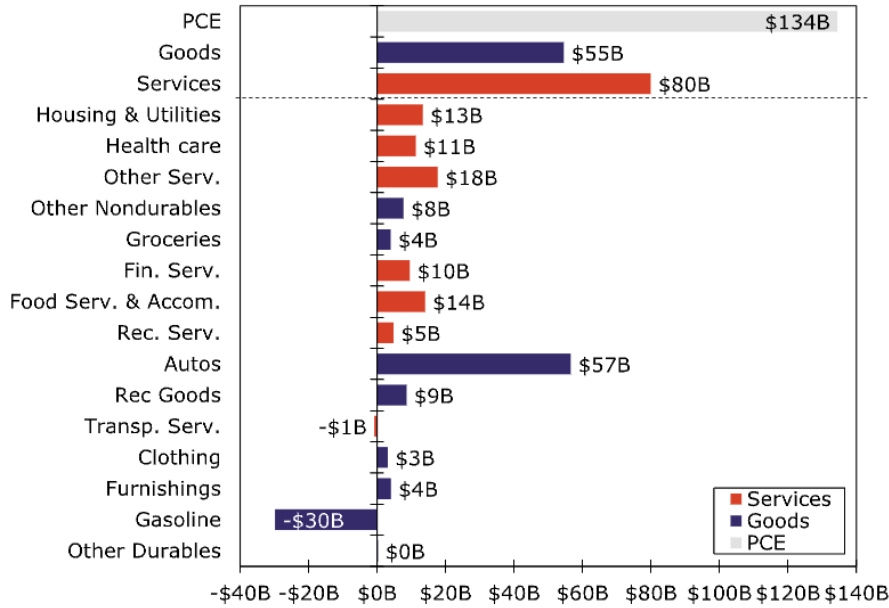
16 Linden Lane
Breckenridge CO 80424

NMLS 1217170
Florida LO53316



Personal Spending Change

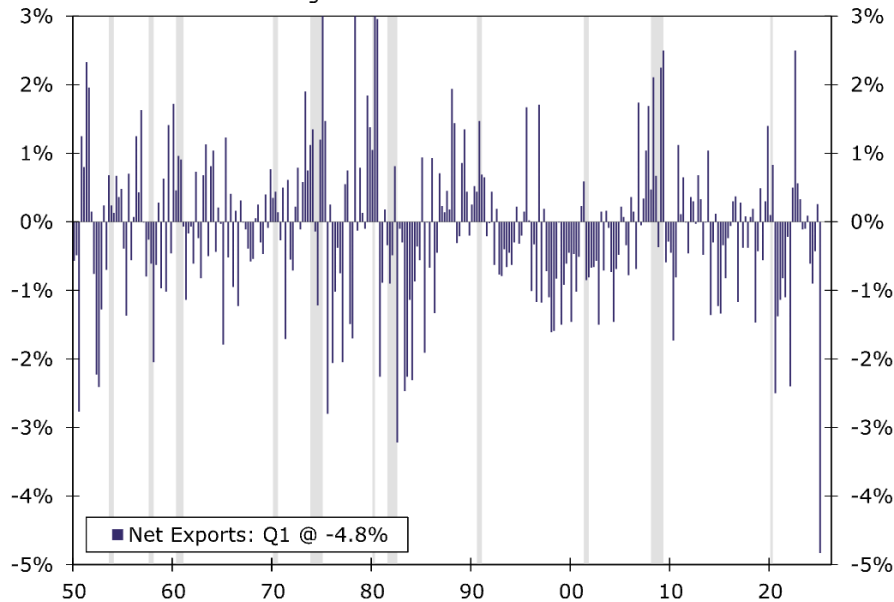
Month-over-Month Dollar Change, Mar. 2025; Ranked by PCE Share



From there, we'll move to today's GDP focal point, which was the biggest % drop in net exports in decades

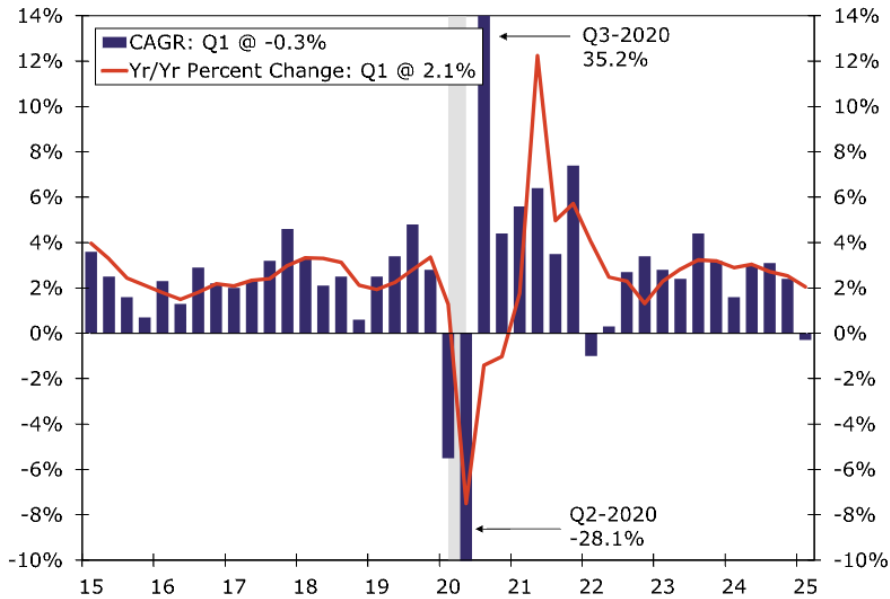
Real Net Exports

Percentage Point Contribution to GDP Growth



The next two charts show the discrepancy between GDP (distorted by the import imbalance mentioned above) and final sales to domestic purchasers (not distorted). Bottom line, GDP will get evening news coverage, but it was actually a relative non-event.

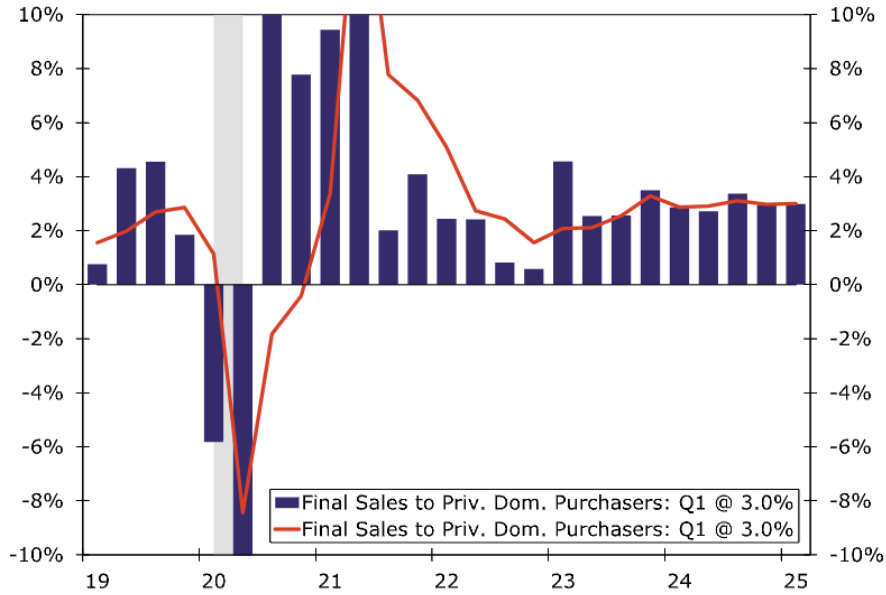
U.S. Real GDP Growth



Source: U.S. Department of Commerce and Wells Fargo Economics

Real Final Sales to Priv. Domestic Purchasers

Bars = Compound Annual Rate Line = Yr/Yr % Change



Source: U.S. Department of Commerce and Wells Fargo Economics