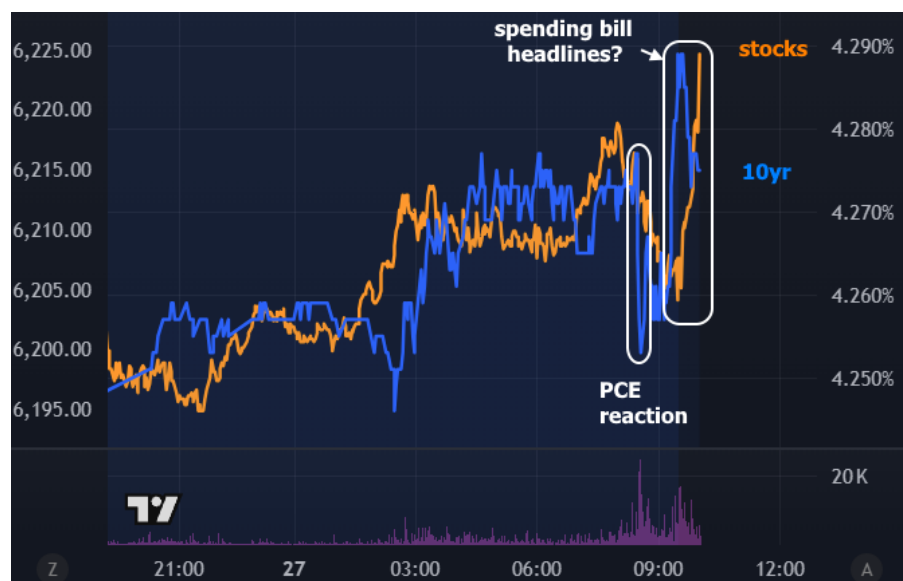


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The Day Ahead: Minimal Impact From PCE Data

Bonds are slightly weaker to start the final trading day of the week, but that has nothing to do with this morning's PCE data. Despite being the Fed's favorite inflation index and despite causing some notable drama in the past, PCE hasn't caused much of a stir recently and today's is no exception. Core monthly inflation was .179 vs a .1 forecast, but elsewhere in the data, sharply lower income and spending were enough to offset the slightly higher inflation. Bonds actually improved a bit, pushing back on overnight weakness, but subsequent headlines regarding the Senate's push to approve its version of the spending bill (implies higher bond issuance, which is bad for rates all else equal). Last but not least, consider the tendency for Friday to push back against a dominant weekly trend regardless of data (i.e. if Mon-Thu did one thing, Friday is more likely to do the other thing).



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