

MBS & TREASURY MARKETS

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ALERT: GDP Data Hurting a Bit

- Core PCE Prices QoQ Final (Q2)
 - 2.5% vs 2.3% f'cast, prev 3.5%
- GDP (Q2)
 - 3.0% vs 2.4% f'cast, prev -0.5%
- GDP Deflator (Q2)
 - 2.0% vs 2.2% f'cast, prev 3.8%
- GDP Final Sales (Q2)
 - 6.3% vs prev -3.1%

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This is not a bond-friendly GDP print on almost all fronts. The higher quarterly PCE creates the possibility that June was higher than expected (released tomorrow). The 0.6% beat is reasonably large and the big uptick in final sales speaks to organic growth, but that's offset somewhat by another drop in "real final sales to domestic purchasers.

Thankfully, Treasury's quarterly refunding specifics (auction sizes just release at 8:30am as well) were in line with previous amounts and, thus, are not adding to the weakness. 10yr yields are now up 4.4bps at 4.365 and MBS are down an eighth of a point.