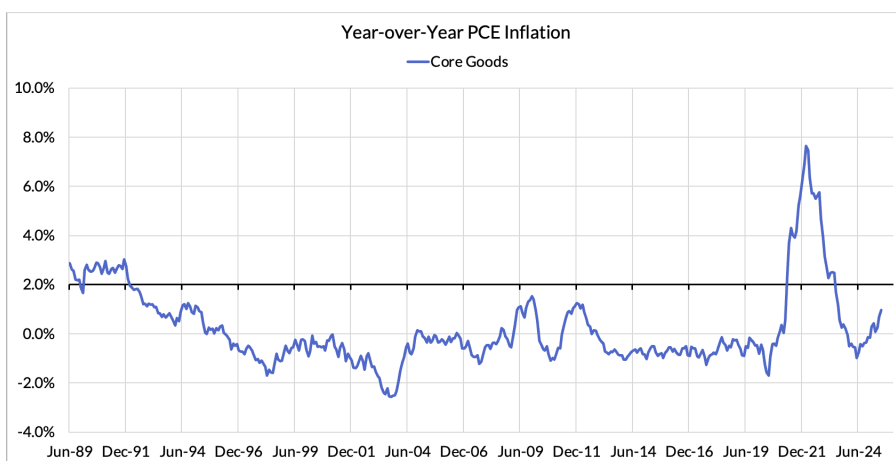


MBS & TREASURY MARKETS

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The Day Ahead: No Whammies From PCE

While jobless claims and the Employment Cost Index can be market movers, today's biggest ticket in the 8:30am slot was the monthly PCE Price Index for June. Forecasters are generally more accurate when predicting these numbers because previously released reports reveal a majority of PCE components. That means we have to dig a little in order to find surprises. In today's case, core monthly PCE was 0.256 unrounded versus a median forecast of 0.320 (which looks better than the conventional 0.3 vs 0.3). That good news was tempered by increasingly visible goods inflation along with the knowledge that actual tariff impacts lag the announcement.



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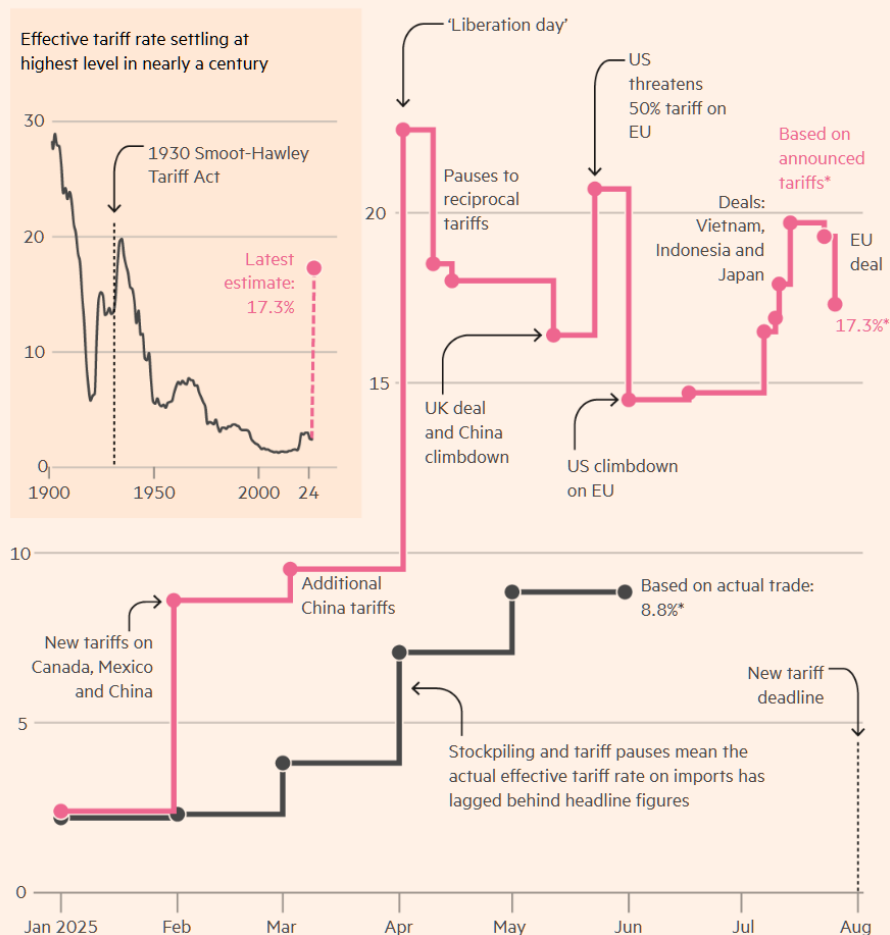
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Effective US global tariff rate (%)



Sources: Yale Budget Lab; US Census Bureau • *Actual trade' rate is customs duty revenue as a % of value of goods imported.
 'Based on announced tariffs' is the estimate of the long-run effective tariff rate based on current announced policy, after accounting for consumption shifts **ft.com**

In light of that fact as well as the lower jobless claims and higher employment costs, bonds are doing a good job by holding modest overnight gains.

