The Day Ahead: Not The Supertanker Bonds Were Looking For... But We'll Take It

There's a supertanker load of data this morning with some apparently interesting results, but the market remains focused primarily on supertankers being able to transport oil. Those prospects were dealt a fresh blow overnight as both sides reported renewed attacks. Bond yields and oil prices jumped clearly in response, but not in an overly aggressive fashion. And to be fair to this morning's data, it has actually been up to the task of helping yields drop about 2bps back to unchanged levels. Primary credit would have to go to lower than expected monthly PCE prices. Even though PCE is trending in the wrong direction, the monthly rate came in at 0.4 vs 0.5 forecasts and 0.7 previously.

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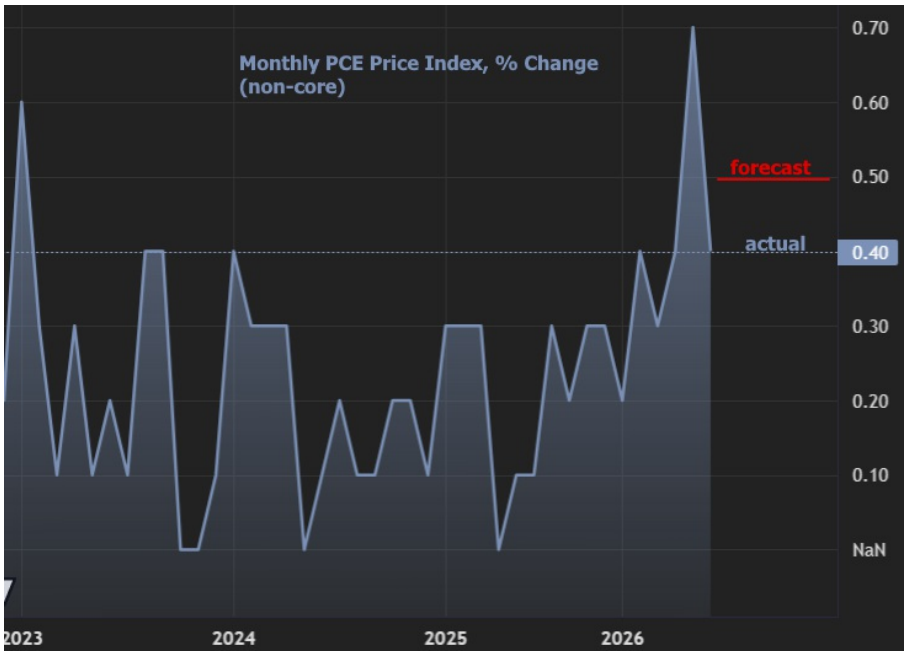

Any time PCE comes out, there's some buzz on the implications of earnings versus inflation. This time around, the temptation is to conclude that lower personal income cannot support inflation-adjusted spending. And while there's no doubt that lower income inhibits spending that would otherwise be seen, longer term data and bigger-picture numbers suggest we shouldn't count on it as some mythical inflation-fighting hero.

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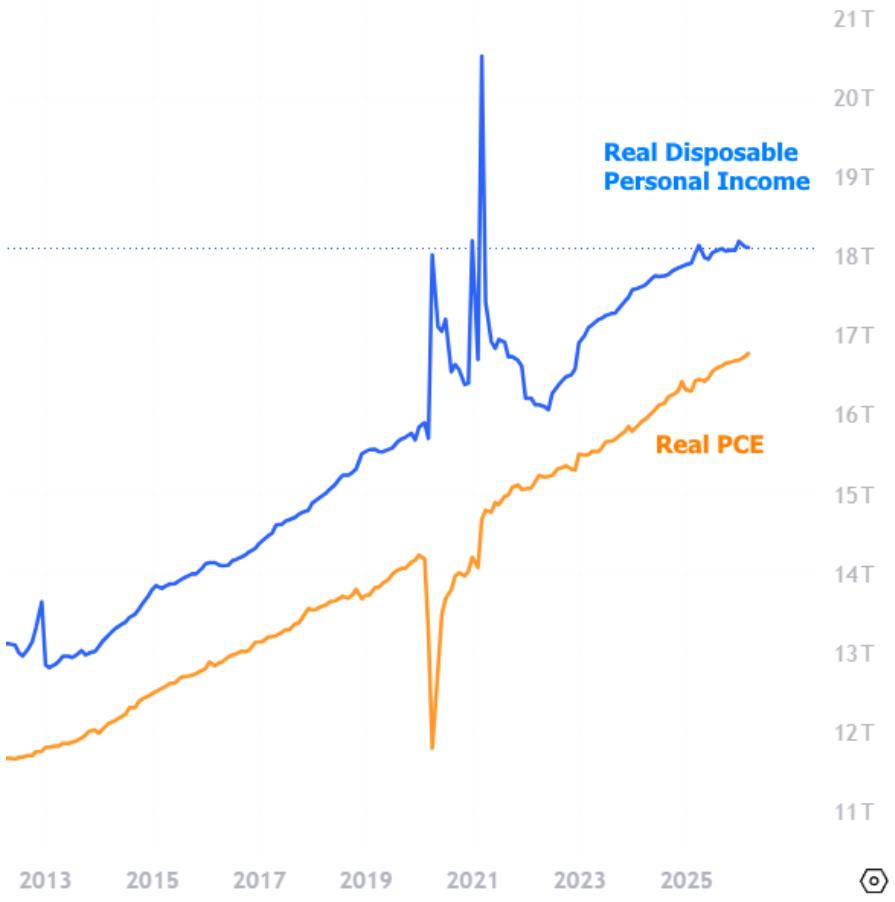

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