

MBS & TREASURY MARKETS

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The Day Ahead: Decent Start After PCE Comes in On-Target

The PCE price index may be a less timely report than CPI/PPI when it comes to measuring inflation in the U.S., but it's more thorough and has stronger implications for Fed policy. Traders were apparently braced for today's number to be a bit hotter. Bonds rallied moderately after core monthly PCE came in as-expected at 0.3%. Annual inflation is running at 4.1% at the headline level, and 3.4% at the core level (both in line with expectations. Bonds were a few bps higher in yield before the data and are now a few bps lower heading into the 9am hour.



John "Demo" Lender

VP of Lending, Demo Mortgage Co.

mbslive.net

P: (704) 555-1212

M: (407) 555-1234

10014 Normal Blvd.
Charlotte NC 28044

NMLS: 123456

