

# 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.



### Michael Addison

Michael Addison Team

[www.MichaelAddison.com](http://www.MichaelAddison.com)

M: (214) 500-1358

[michael@michaeladdison.com](mailto:michael@michaeladdison.com)

Dallas TX 75205

NMLS# 603214

