

MBS & TREASURY MARKETS

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The Day Ahead: Bonds Pouting After Higher PCE

To be fair, not all of the PCE data was higher than expected, but none of the top line numbers were lower than expected. Core PCE was on target (notably 0.246%, so it nearly rounded up to 0.3 vs 0.2), but headline inflation was a tenth of a point above the monthly and annual targets. Traders were apparently positioned for better news as the bond market's immediate response has been moderately quick sell-off. MBS are starting out down more than an eighth and 10yr yields are up more than 2bps from pre-data levels.



Ryan and Jaime Ingram

The Owner's (since 1996),
Interstate Mortgage
Service

www.InterstateMortgage.net

P: (480) 553-5555

M: (480) 329-0707

jaime@interstatemortgage.net

25062 S. 190th Street
Queen Creek AZ 85142

NMLS ID: 89235

Company ID: 37053



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