

Lower PCE Inflation, So Why Aren't Bonds Happier?

Market Summary: Wednesday, September 30, 2026 - 1:36PM

Core PCE came in at 0.2 vs a 0.3 forecast, and the bond market rallied a bit in response. That said, the unrounded number was .247, which about as high as it could be without rounding up to 0.3. Core annual PCE was 3.0, which was flat versus a downward revision from 3.3. More importantly, that downward revision wasn't mainly about new data collection showing lower prices, but rather a change in PCE methodology. Not all of the methodology change is transparent, but our best estimate is that a vast majority of the 0.3 downward revision was due to methodology changes (the math: 0.361 unrounded drop in y/y core PCE, July vs July, and 0.30 of that drop is in categories that were affected by methodology changes). Bottom line, inflation was actually fairly flat, and supercore (excludes food/energy/housing) was noticeably higher. Add the stronger ADP and GDP numbers into the mix, and bonds don't have a lot to celebrate this morning, so merely holding ground is a victory.

9:34 AM	DAY AHEAD	Lower PCE Inflation, So Why Aren't Bonds Happier?
10:32 AM	ALERT	MBS Already Down a Quarter Point vs 9:30am ET
12:31 PM	ALERT	Additional Negative Reprice Risk



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Econ Data / Events

- - o ADP jobs (Sep)
 - 90K vs 70K f'cast, 38K prev
 - o Core PCE (m/m) (Aug)
 - 0.2% vs 0.3% f'cast, 0.2% prev
 - o Core PCE (y/y) (Aug)
 - 3.0% vs 3.3% f'cast, 3.3% prev
 - o Core PCE Prices QoQQ2
 - 3.30% vs 3.6% f'cast, 4.4% prev
 - o Corporate profitsQ2
 - 7.7% vs 8.2% f'cast, 0.5% prev
 - o GDPQ2
 - 2.2% vs 1.5% f'cast, 2.1% prev
 - o GDP Final SalesQ2
 - 2.8% vs 2.2% f'cast, 1.9% prev
 - o PCE (y/y) (Aug)
 - 3.4% vs 3.7% f'cast, 3.7% prev
 - o PCE prices (m/m) (Aug)
 - 0.3% vs 0.4% f'cast, 0.2% prev

Market Movement Recap

10:36 AM MBS down 2 ticks (.06) on the day and a quarter point from highs. 10yr up 2.4bps at 5.269