

## Bond Yields Climb on More Inflation Evidence

Friday's slate of economic data threw more gas onto the inflation bonfire, sending bond yields higher and elevating talk of a 75 basis point hike from the Fed this week. The primary culprit was the employment cost index which surged +1.4% in the first quarter, the most in the 21-year history of this series and quite a bit more than the +1.1% median estimate in Bloomberg's survey. The ECI is closely watched by economists and the Fed because it controls for compositional shifts in the labor force, a factor that has skewed the employment report's average hourly earnings data over the last two years. In addition to wages and salaries, the ECI also captures benefit costs, so it's more reflective of employers' total compensation expenses.

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