Bonds Rally Despite Higher Q2 GDP

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The Bureau of Economic Analysis (BEA) announced this morning that the U.S. economy grew at a +2.8% QoQ annualized rate in the second quarter, accelerating from +1.4% in the first. The primary contributors to growth were a restocking of business inventories and better-than-expected personal consumption. Auto sales fueled goods spending during the quarter which reaccelerated from a -2.3% negative pace to +2.5%, while spending on services slowed from +3.3% to +2.2%.

Business investment improved in Q2 as equipment spending grew at the fastest pace in more than two years, while higher defense spending boosted the government contribution. Residential investment (housing) subtracted from growth for the first time in a year as rising mortgage rates sidelined potential buyers.

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