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Yields Slightly Lower on Market Friendly Data

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The first of two revisions to Q1 GDP indicated U.S. consumers struggled more than previously thought in early 2024, while inflationary pressure was slightly less. A significant downward revision to the personal consumption component pulled overall GDP growth down from a previously reported +1.6% to +1.3% (QoQ SAAR), matching the median forecast. Despite the apparent softening, the economic outlook remains brighter than Fed officials would like.

The spending breakdown continued to show a clear preference for services over goods. Goods spending actually *contracted* during the quarter. Upward revisions to residential investment (housing) and local government spending kept Q1 GDP from a larger decline.

The Q1 personal consumption expenditures index (an inflation measure) was revised slightly lower from +3.7% to +3.6%. It's widely understood that Inflation had been elevated in the first three months of 2024; the bigger question is whether it slows going forward. Tomorrow's release of April personal consumption expenditures will provide part of the answer, followed by May CPI in two weeks.

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Disposable personal income growth for the first quarter was revised upward from +1.1% to +1.9%, which unfortunately suggests consumers entered the new quarter with more spending capacity. Although headline GDP growth has decelerated from +4.9% to +3.4% to +1.3% over the past three quarters, the downtrend is likely over. The most current GDPNow measure indicates Q2 is tracking at a +3.5% pace. Acceleration in GDP growth normally feeds inflationary pressure.

Revisions to inherently stale quarterly data reveal little. This morning's numbers are no exception. Over the next two weeks, a flurry of fresher economic data (including the May employment report, the ISM surveys and CPI) will supersede the Q1 news.

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This morning, the futures market is pricing-in just a single rate cut for either the November or December FOMC meeting. Fed officials seem to have grown more hawkish in recent weeks, and as summer approaches, the window for rate cuts is narrowing.

Market Indications as of 9:54 A.M. Central Time

DOW	Down -386 to 38,055 (HIGH: 40,004)
NASDAQ	Down -119 to 16,802 (HIGH: 17,020)
S&P 500	Down -25 to 5,242 (HIGH: 5,321)
1-Yr T-bill	current yield 5.20%; opening yield 5.19%
2-Yr T-note	current yield 4.93%; opening yield 4.97%
3-Yr T-note	current yield 4.74%; opening yield 4.79%
5-Yr T-note	current yield 4.58%; opening yield 4.64%
10-Yr T-note	current yield 4.56%; opening yield 4.62%
30-Yr T-bond	current yield 4.69%; opening yield 4.74%