

Satisfactory PCE Maintains Market Rally

This morning's PCE Price Index was the last of the major inflation reports from June. The data was inherently stale, but market friendly. Headline PCE rose by just +0.1% last month, equaling the median forecast, while the annual increase also met expectations at an agreeable +2.5%. Core PCE warmed a bit from May, up +0.2%, and held at +2.6% YoY. *Boxes checked.*

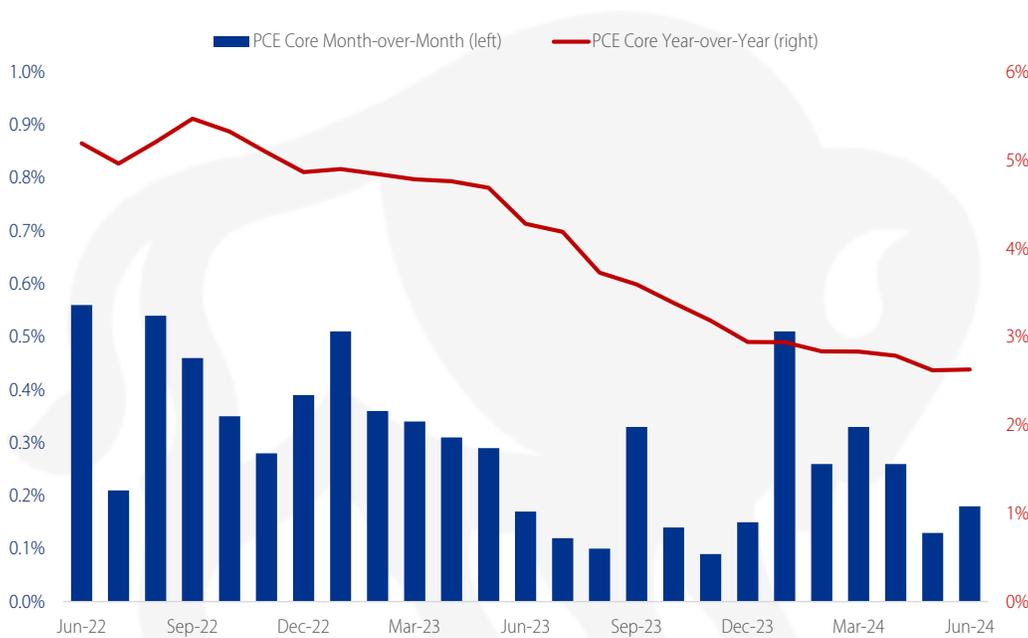
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In other news this morning, evidence of consumer strain was found in a tepid +0.2% rise in June personal income, equaling the lowest of the year. Personal spending (once again) held up reasonably well with a +0.3% increase in June after a revised +0.4% gain in May. Fading income and continued spending chipped away at the June savings rate which slipped from 3.5% to 3.4%, less than half of the 7.7% pre-pandemic rate from February 2020.

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It appears that many Americans have depleted pandemic aid, tapped credit cards and are drawing down savings. The more fortunate have benefited from record stock gains and rising real estate values. The U.S. economy is severely bifurcated, which complicates Fed decisions, but nothing in this morning's releases should alter the July FOMC decision. Although Fed members will maintain policy next Wednesday, Powell is expected to lay groundwork for the first rate cut on September 18.

Personal Consumption Expenditures Core Price Index (Percent Change)



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Source: Bureau of Economic Analysis

Market Indications as of 9:40 A.M. Central Time

DOW	Up 508 to 40,443 (HIGH: 41,198)
NASDAQ	Up 67 to 17,249 (HIGH: 18,647)
S&P 500	Up 55 to 5,454 (HIGH: 5,667)
1-Yr T-bill	current yield 4.81%; opening yield 4.83%
2-Yr T-note	current yield 4.38%; opening yield 4.43%
3-Yr T-note	current yield 4.20%; opening yield 4.24%
5-Yr T-note	current yield 4.08%; opening yield 4.13%
10-Yr T-note	current yield 4.20%; opening yield 4.24%
30-Yr T-bond	current yield 4.45%; opening yield 4.48%

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