

MBS & TREASURY MARKETS

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The Day Ahead: Big Miss in PPI Making For an Interesting Morning

The Producer Price Index (PPI) isn't in the same league as CPI when it comes to market movement potential, but as seen again this morning, it's no slouch. Bonds responded immediately and somewhat forcefully to the much higher monthly core number. 10yr yields jumped an instant 5bps and MBS dropped 6 ticks (.19). But less than 15 minutes later and we're back near unchanged levels. This wild ride can be chalked up to the previous month's revisions offsetting the big miss as well as some of the distribution among the internal components. Specifically, several of the components that contribute to PCE (the Fed's favorite inflation index) were weaker.



Ryan and Jaime Ingram

Husband and Wife
Mortgage Team, Interstate
Mortgage Service

www.InterstateMortgage.net

P: (480) 553-5555

M: (480) 329-0707

25062 S. 190th Street
Queen Creek AZ 85142

NMLS ID: 89235

Company ID: 37053



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