

# MBS & TREASURY MARKETS

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## UPDATE: Big Drop in Producer Prices. Bonds Rallying

- Core Producer Prices m/m
  - 0.0 vs 0.2 f'cast, 0.3 prev
  - last month revised down 0.1
- Core Y/Y PPI
  - 2.4 vs 2.7 f'cast, 3.0 prev

Recall that the last installment of PPI was surprisingly robust with a 0.4 m/m core reading that cause some head scratching for last month's lower inflation narrative. This report helps frame that as more of an aberration, not only because the current month fell so sharply, but also because it revised last month's hot reading a bit lower.

NOTE: a big swing in PPI does NOT necessarily promise a similar result from CPI (tomorrow's more important inflation report), but it's definitely not bad new for bonds this morning. 10yr yields are down 2bps at 3.885 and MBS are up an eighth of a point in 5.5 coupons.



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