

MBS & TREASURY MARKETS

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ALERT: CPI Slightly Hotter. Bonds Selling Moderately

- Core MM CPI
 - 0.3 vs 0.2 f'cast
 - unrounded 0.281
- Core YY CPI
 - 3.2 vs 3.2 f'cast, 3.2 prev
- Shelter CPI
 - 0.5 vs 0.4 prev

Bonds were slightly stronger heading into the CPI data but have given up those gains after the release. Unlike CPIs of the past, this one was probably not destined to have a huge impact without a much larger deviation from expectations. After all, 0.251 is the lowest possible unrounded number that gets a 0.3 core CPI.

Shelter is the bigger issue and likely a better justification for the initial selling pressure.

10yr yields are up only 2.3bps at 3.669 and MBS are down 2 ticks (.06).



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