

MBS & TREASURY MARKETS

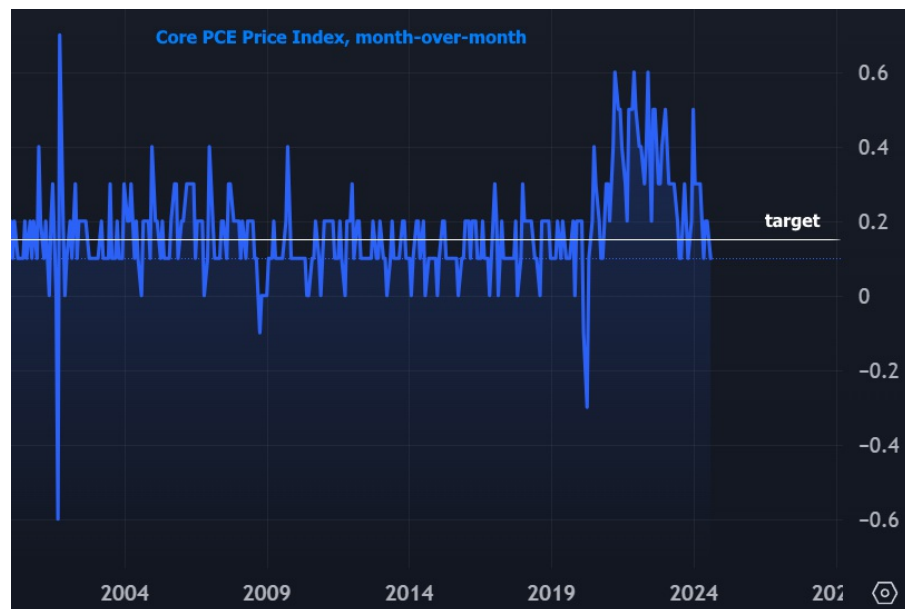
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The Day Ahead: Inflation Data No Longer The Big To-Do, But At Least It's Not Hurting

Just a few months ago, the big ticket inflation reports were just as relevant as the jobs report in terms of their ability to cause movement in the bond market. As CPI/PCE calmed down over the past 5 months, bonds and the Fed shifted gears to place the heaviest focus on the jobs report and other labor market indicators. But inflation will continue to matter until it becomes completely boring and we're not there yet. Thankfully today's was just a bit better than expected and that's helping bonds hold overnight gains.



To understand just how well-behaved inflation data has been recently, forget the annual charts that are still peeling off the higher inflation months from last year and consider the very obvious trend in the month over month chart.



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These are rounded figures but the takeaway isn't much different if we use the unrounded numbers.

