

## UPDATE: CPI Right on The Screws. Bonds Rallying a Bit

- Core M/M CPI
  - 0.3 vs 0.3 f'cast, 0.3 prev
  - unrounded, 0.308
- Core Y/Y CPI
  - 3.3 vs 3.3 f'cast, 3.3 prev
- Shelter CPI M/M
  - 0.336 vs .382 prev

Bonds have already rallied from 4.25 to 4.215 in the wake of the CPI data, and that's a testament to the market's level of interest in today's data. We can only imagine how big the reaction would be if there were a big departure from expectations. Even the unrounded core m/m level was less than 1/100th of a percent from forecasts.

If anything is tipping the scales in the favor of this bond rally, it's the resumption of the trend lower in the shelter component.

10yr yields were higher before the data, but are now down 0.7 bps on the day. MBS are outperforming thanks to the short end of the yield curve. 5.5 coupons are up 6 ticks (.19) and trading over par by about an eighth of a point.

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