

MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

A message from Nickolas Inhelder:

We Make Home Happen.™

Our goal is simple:

To help every family we serve get to "Yes."

Yes to the loan that unlocks the joy of home ownership.

Yes to the lending solution that meets every client's unique needs and wants.

That's why we dedicate our every resource to serve as your personal guide through the lending process, solving problems, building confidence. Aslan has access to every lending option leading to the purchase or refinance of a residential home loan.

This is more than work for us. It is our unique joy in this life to share our collective skill, creativity, and care to bring you and your family right to where you belong.

Let's make home happen.

CONTACT ME TODAY



Nickolas Inhelder
Mortgage Broker, Aslan Home Lending Corp

www.AslanHLC.com
P: (720) 446-8778
M: (858) 229-9533
nick@inhelderinvestments.com

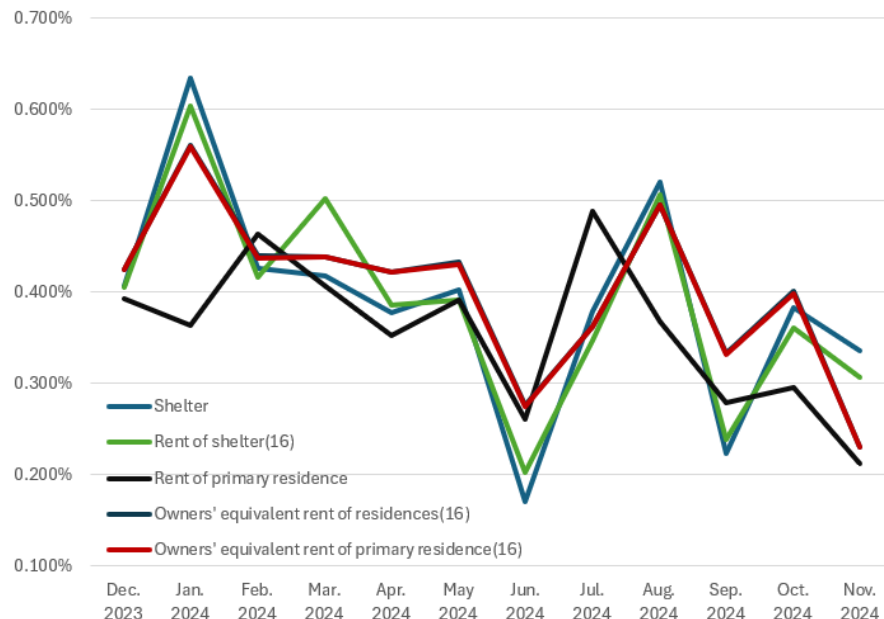
1777 S. Harrison St.
Denver CO 80210
2037157 - CO, FL



The Day Ahead: Why Bonds Rallied After CPI (And Why They Reversed Course an Hour Later)

Today's headline and core CPI readings were both perfectly in line with forecasts. After the data came out, bonds rallied and Fed Funds Futures moved to price in a near certainty of a Fed rate cut next week. To make matters more confusing, monthly core CPI was 0.31% before being rounded to 0.3%, so it's not as if a low unrounded number explains the rally. Instead, we have to turn toward housing inflation--the biggest problem child for this data series--and consider the substantial progress in this report and in general.

Housing Inflation Metrics



Owners' Equivalent Rent (OER) is especially notable when we consider the broader context (along with the fact that it's the single largest individual component of CPI). If there is no other reason for this morning's paradoxical move, it is the implication of the following chart.



Despite the initial gains, bonds have turned around and moved back in line with pre-data levels. Blame Canada? The Bank of Canada (BOC) released its latest policy statement this morning and despite a 50bp rate cut, the rest of the announcement was interpreted as hawkish by bond traders. The spike in CA yields corresponds with the reversal in US rates, at the very least, but US traders may also be interested in preparing for this afternoon's 10yr Treasury auction.

