

MBS & TREASURY MARKETS

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UPDATE: Moderate Gains After Sharply Lower PPI

- Core PPI M/M
 - 0.0 vs 0.3 f'cast, 0.2 prev
- Core PPI Y/Y
 - 3.5 vs 3.8 f'cast, 3.5 prev

The Producer Price Index came in much lower than expected at the core level and slightly lower at the headline level as well. PPI is an inferior market mover relative to tomorrow's CPI, but a big departure from the forecast is worth a bit of a reaction.

MBS are up 2 ticks (.06) and 10yr yields are down about 1bp at 4.775. Both have already dialed back a bit from their initial rally reactions.



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