MBS & TREASURY MARKETS

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The Day Ahead: Decent Start Despite Higher Annual Producer Prices

This morning's econ data included weekly jobless claims, which came in roughly in line with forecasts, and the Producer Price Index (PPI) which was a bit different. The month over month change in core PPI was as expected, but the annual change jumped 0.3 above expectations (3.6 vs 3.3). How can that be? Revisions to the past 4 months affect the annual number without necessarily impacting the monthly number. In this case, both December and October were revised 0.1 higher, thus accounting for the 0.2 increase from last month's 3.5% core annual PPI.

Month	Total final demand	Final demand less foods, energy, and trade		Final der	nand goods		Final demand services					Change in final demand
				Current rele			ase				Change in final	less foods, energy,
			Total	Foods	Energy	Less foods and energy	Total	Trade	Transportation and warehousing	Other	demand from 12 months ago (unadj.)	and trade from 12 mo. ago (unadj.)
2024												,
Jan.	0.4	0.4	0.1	0.2	-0.4	0.3	0.5	0.3	-0.1	0.6	1.0	2.7
Feb.	0.5	0.3	0.9	1.2	2.7	0.3	0.3	0.2	1.0	0.3	1.6	2.8
Mar.	0.1	0.2	-0.1	-0.1	-0.9	0.0	0.1	-0.3	0.3	0.3	2.0	2.9
Apr.	0.5	0.5	0.3	-0.1	1.0	0.3	0.6	0.5	-0.6	0.7	2.3	3.2
May	0.0	0.2	-0.6	-0.3	-3.5	0.3	0.3	0.6	-0.6	0.3	2.5	3.4
June	0.4	0.2	-0.2	0.2	-1.6	0.1	0.7	1.8	-0.1	0.2	2.9	3.4
July	0.0	0.4	0.4	0.2	1.5	0.2	-0.2	-1.7	1.2	0.4	2.4	3.5
Aug.	0.3	0.2	0.0	0.7	-1.5	0.2	0.5	1.1	-0.7	0.4	2.1	3.5
Sept.(1)	0.3	0.2	-0.2	0.5	-2.0	0.1	0.5	1.2	0.0	0.3	2.1	3.4
Oct.(1)	0.2	0.3	0.1	-0.6	0.3	0.2	0.2	0.1	0.3	0.3	2.7	3.6
Nov.(1)	0.2	0.1	0.6	2.1	0.3	0.2	0.1	0.0	-0.3	0.2	2.9	3.6
Dec.(1)	0.5	0.4	0.5	0.4	2.2	0.1	0.5	0.6	2.5	0.3	3.5	3.5
2025												
Jan.	0.4	0.3	0.6	1.1	1.7	0.1	0.3	0.1	0.6	0.4	3.5	3.4
Month		Final demand less foods, energy, and trade			mand goods		Final demand services					Change in final demand less
			Total	Pro	eviou		leas	se			Change in final demand from 12 months ago (unadj.)	foods, energy, and trade from 12 mo. ago (unadj.)
Month	Total final demand	energy, and	Total	Foods	Energy	foods and energy	Total	Trade	Transportation and warehousing	Other	from 12 months ago	from 12 mo. ago
Month 2023	final	energy, and	Total	Foods	Energy	foods and	Total	Trade	and	Other	from 12 months ago	from 12 mo. ago
	final	energy, and	Total	Foods	Energy -0.8	foods and	Total	Trade	and	Other	from 12 months ago	from 12 mo. ago
2023	final demand	energy, and trade				foods and energy			and warehousing		from 12 months ago (unadj.)	from 12 mo. ago (unadj.)
2023 Dec.	final demand	energy, and trade				foods and energy			and warehousing		from 12 months ago (unadj.)	from 12 mo. ago (unadj.)
2023 Dec. 2024	final demand -0.1	energy, and trade	-0.1	0.0	-0.8	foods and energy	-0.1	-1.2	and warehousing	0.5	from 12 months ago (unadj.)	from 12 mo. ago (unadj.)
2023 Dec. 2024 Jan.	final demand -0.1	energy, and trade	-0.1	-0.3	-0.8	foods and energy 0.1	-0.1	-1.2 0.1	and warehousing -0.2	0.5	from 12 months ago (unadj.) 1.1	from 12 mo. ago (unadj.)
2023 Dec. 2024 Jan. Feb.	-0.1 -0.4 0.6	energy, and trade	-0.1 -0.1 1.1	0.0 -0.3 1.0	-0.8 -1.1 3.9	foods and energy 0.1 0.3 0.3	-0.1 0.6 0.3	-1.2 0.1 0.3	and warehousing -0.2 -0.2 1.2	0.5 0.9 0.3	from 12 months ago (unadj.) 1.1	from 12 mo. ago (unadj.) 2.7 2.8
2023 Dec. 2024 Jan. Feb. Mar.	-0.1 -0.1 0.4 0.6 0.0	energy, and trade 0.3 0.6 0.4 0.2	-0.1 -0.1 1.1 -0.2	-0.3 1.0 0.3	-0.8 -1.1 3.9 -1.2	0.1 0.3 0.3 0.0	-0.1 0.6 0.3 0.1	-1.2 0.1 0.3 -0.4	and warehousing -0.2 -0.2 1.2 0.2	0.5 0.9 0.3 0.3	from 12 months ago (unadj.) 1.1 1.0 1.6 2.0	2.7 2.8 2.9
Dec. 2024 Jan. Feb. Mar. Apr.	-0.1 0.4 0.6 0.0 0.5	energy, and trade 0.3 0.6 0.4 0.2 0.5	-0.1 -0.1 1.1 -0.2 0.4	0.0 -0.3 1.0 0.3 -0.8	-0.8 -1.1 3.9 -1.2	0.1 0.3 0.3 0.0 0.3	-0.1 0.6 0.3 0.1 0.6	-1.2 0.1 0.3 -0.4	and warehousing -0.2 -0.2 -0.2 -0.2 -0.2 -0.5	0.5 0.9 0.3 0.3	from 12 months ago (unadj.) 1.1 1.0 1.6 2.0 2.3	2.7 2.7 2.8 2.9
Dec. 2024 Jan. Feb. Mar. Apr.	-0.1 -0.4 -0.6 -0.0 0.5 -0.0	energy, and trade 0.3 0.6 0.4 0.2 0.5 0.2	-0.1 -0.1 1.1 -0.2 0.4 -0.8	0.0 -0.3 1.0 0.3 -0.8	-0.8 -1.1 3.9 -1.2 1.8 -4.6	0.1 0.3 0.3 0.0 0.3 0.0	-0.1 0.6 0.3 0.1 0.6 0.4	-1.2 0.1 0.3 -0.4 0.5	and warehousing -0.2 -0.2 1.2 0.2 -0.5 -0.8	0.5 0.9 0.3 0.3 0.7 0.3	from 12 months ago (unadj.) 1.1 1.0 1.6 2.0 2.3 2.5	2.7 2.7 2.8 2.9 3.2
Dec. 2024 Jan. Feb. Mar. Apr. May June	final demand -0.1 0.4 0.6 0.0 0.5 0.0	energy, and trade 0.3 0.6 0.4 0.2 0.5 0.2	-0.1 -0.1 1.1 -0.2 0.4 -0.8	0.0 -0.3 1.0 0.3 -0.8 -0.1	-0.8 -1.1 3.9 -1.2 1.8 -4.6 -2.0	0.1 0.3 0.3 0.0 0.3 0.0 0.3 0.2	-0.1 0.6 0.3 0.1 0.6 0.4	-1.2 0.1 0.3 -0.4 0.5 0.8 1.9	-0.2 -0.2 1.2 -0.5 -0.5 -0.8 -0.1	0.5 0.9 0.3 0.3 0.7 0.3	from 12 months ago (unadj.) 1.1 1.0 1.6 2.0 2.3 2.5 2.9	from 12 mo. ago (unadj.) 2.7 2.8 2.9 3.2 3.4 3.4
Dec. 2024 Jan. Feb. Mar. Apr. May June July	-0.1 -0.4 -0.6 -0.0 0.5 0.0 0.5 0.0 0.0 0.0	0.3 0.6 0.4 0.2 0.5 0.2 0.4	-0.1 -0.1 1.1 -0.2 0.4 -0.8 -0.3 0.6	0.0 -0.3 1.0 0.3 -0.8 -0.1 0.1	-0.8 -1.1 3.9 -1.2 1.8 -4.6 -2.0 1.7	0.1 0.3 0.3 0.0 0.3 0.0 0.3 0.2	-0.1 0.6 0.3 0.1 0.6 0.4 0.7 -0.2	-1.2 0.1 0.3 -0.4 0.5 0.8 1.9 -1.9	-0.2 -0.2 -0.2 -0.2 -0.2 -0.2 -0.5 -0.8 -0.1 -0.1	0.5 0.9 0.3 0.3 0.7 0.3 0.3	from 12 months ago (unadj.) 1.1 1.0 1.6 2.0 2.3 2.5 2.9 2.4	from 12 mo. ago (unadj.) 2.7 2.8 2.9 3.2 3.4 3.4 3.5
Dec. 2024 Jan. Feb. Mar. Apr. May June July Aug.(1)	-0.1 -0.4 -0.6 -0.0 0.5 0.0 0.4 0.0 0.3	0.3 0.6 0.4 0.2 0.5 0.2 0.4 0.2	-0.1 -0.1 1.1 -0.2 0.4 -0.8 -0.3 0.6 0.0	0.0 -0.3 1.0 0.3 -0.8 -0.1 0.1 0.6 0.3	-0.8 -1.1 3.9 -1.2 1.8 -4.6 -2.0 1.7 -1.0	0.1 0.3 0.3 0.0 0.0 0.3 0.0 0.3 0.2 0.1 0.2	-0.1 0.6 0.3 0.1 0.6 0.4 0.7 -0.2	-1.2 0.1 0.3 -0.4 0.5 0.8 1.9 -1.9	-0.2 -0.2 -0.2 -0.2 -0.2 -0.5 -0.5 -0.8 -0.1 1.2	0.5 0.9 0.3 0.3 0.7 0.3 0.3 0.4	1.1 1.0 1.0 2.3 2.5 2.9 2.4 2.1	from 12 mo. ago (unadj.) 2.7 2.7 2.8 2.9 3.2 3.4 3.4 3.5 3.5
Dec. 2024 Jan. Feb. Mar. Apr. May June July Aug.(1) Sept.(1)	-0.1 -0.4 0.6 0.0 0.5 0.0 0.4 0.0 0.3	0.3 0.6 0.4 0.2 0.5 0.2 0.2 0.2	-0.1 -0.1 1.1 -0.2 0.4 -0.8 -0.3 0.6 0.0	0.0 -0.3 1.0 0.3 -0.8 -0.1 0.1 0.6 0.3 0.8	-0.8 -1.1 3.9 -1.2 1.8 -4.6 -2.0 1.7 -1.0 -2.9	0.1 0.3 0.3 0.0 0.3 0.0 0.3 0.0 0.1 0.2 0.1 0.2	-0.1 0.6 0.3 0.1 0.6 0.4 0.7 -0.2 0.5	-1.2 0.1 0.3 -0.4 0.5 0.8 1.9 -1.9 1.1	-0.2 -0.2 -0.2 -0.2 -0.5 -0.8 -0.1 -0.2	0.5 0.9 0.3 0.3 0.7 0.3 0.3 0.4 0.4	from 12 months ago (unadj.) 1.1 1.0 1.6 2.0 2.3 2.5 2.9 2.4 2.1	from 12 mo. ago (unadj.) 2.7 2.8 2.9 3.2 3.4 3.4 3.5 3.5 3.5



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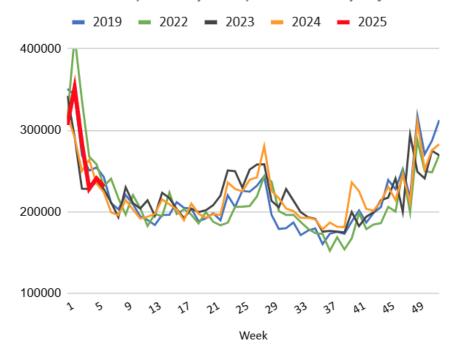


Meanwhile, the monthly change in January was not only on target, but also good news for the components that flow through to PCE inflation (which the Fed watches more closely).

	Jan.	Dec.	Nov.	Oct.	Sept.	Jan.		
	2025	2024	2024	2024	2024	2025		
		YoY%						
PPI total final demand	0.4%	0.5%	0.2%	0.2%	0.3%	3.5%		
	PPI Components for Personal Consumption Expenditure							
Airline passenger services	-0.3%	5.0%	-0.6%	1.9%	1.0%	4.3%		
Portfolio management	0.4%	0.6%	-0.6%	3.3%	0.7%	12.1%		
Physician care	-0.5%	0.3%	0.1%	0.5%	0.6%	1.7%		
Home health, hospice care	-0.3%	0.2%	-0.3%	0.3%	2.9%	3.6%		
Hospital outpatient care	-0.4%	0.6%	0.3%	0.4%	0.3%	3.1%		
Hospital inpatient care	-0.3%	0.0%	0.2%	-0.1%	0.3%	2.0%		
Nursing home care	-0.1%	1.1%	0.0%	0.7%	0.4%	2.3%		

Jobless Claims were a non-event, but at least not showing additional labor market tightening.





The net effect in bonds is a relative sigh of relief after yesterday's high alert following CPI.

