## MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

## 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 demand goods					Final demand services				Change in final demand
				Cur	rent	rele	ase			Other	Change in final demand from 12 months ago (unadj.)	less foods, energy, and trade from 12 mo. ago (unadj.)
			Total	Foods	Energy	Less foods and energy	Total	Trade	Transportation and warehousing			
2024	demand	trade	Total	roous	Energy	energy	Total	Trade	warenousing	Other	(unauj.)	(unauj.)
Jan.	0.4	0.4	0.1	0.2	-0.4	0.3	0.5	0.3	-0.1	0,6	1.0	2.3
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	0.3	-0.3	0.3	0.3	2.0	2.0
Apr.	0.5	0.5	0.3	-0.1	1.0	0.3	0.6	0.5	-0.6	0.7	2.3	3.3
May	0.0	0.2	-0.6	-0.1	-3.5	0.3	0.0	0.6	-0.6	0.3	2.5	3.4
June	0.0	0.2	-0.6	0.2	-3.5	0.3	0.3	1.8	-0.6	0.3	2.5	3.4
	0.0	0.2	0.4	0.2	1.5	0.1	-0.2	-1.7	1.2	0.2	2.9	3.
July	0.0			0.2		0.2	-0.2			0.4		3.:
Aug. Sept.(1)	0.3	0.2	-0.2	0.7	-1.5 -2.0	0.1	0.5	1.1	-0.7 0.0	0.4	2.1	3.4
Oct.(1)	0.3	0.2	-0.2	-0.6	-2.0	0.1	0.5	0.1	0.0	0.3	2.1	3.4
Nov.(1)	0.2	0.3	0.1	2.1	0.3	0.2	0.2	0.0	-0.3	0.3	2.9	3.0
Dec.(1)	0.2	0.1	0.5	0.4	2.2	0.2	0.1	0.6	2.5	0.2	3.5	3.5
2025	0.3	0.4	0.5	0.4	2.2	0.1	0.5	0.0	2.5	0.3	3.3	3.:
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
		Final									Channe	Change
					mand goods				demand services			in final demand less
Month	Total final demand	Final demand less foods, energy, and trade	Total		eviou	Less foods and energy	lea		Transportation and warehousing	Other	Change in final demand from 12 months ago (unadj.)	demand
Month 2023	final	demand less foods, energy, and	Total	Pre	eviou	Less foods and		se	Transportation and	Other	in final demand from 12 months ago	demand less foods, energy, and trade from 12 mo. ago
	final	demand less foods, energy, and	Total	Pre	eviou	Less foods and		se	Transportation and	Other	in final demand from 12 months ago	demand less foods, energy, and trade from 12 mo. ago
2023	final demand	demand less foods, energy, and trade		Pro	Energy	Less foods and energy	Total	S <b>e</b>	Transportation and warehousing		in final demand from 12 months ago (unadj.)	demand less foods, energy, and trade from 12 mo. ago (unadj.)
2023 Dec.	final demand	demand less foods, energy, and trade	-0.1	Pro	Energy	Less foods and energy	Total	S <b>e</b>	Transportation and warehousing		in final demand from 12 months ago (unadj.)	demand less foods, energy, and trade from 12 mo. ago (unadj.)
2023 Dec. 2024	final demand -0.1	demand less foods, energy, and trade	-0.1	Profession of the Profession o	Energy	Less foods and energy	Total	Trade	Transportation and warehousing	0.5	in final demand from 12 months ago (unadj.)	demand less foods, energy, and trade from 12 mo. ago (unadj.)
2023 Dec. 2024 Jan.	final demand -0.1	demand less foods, energy, and trade	-0.1	Prods 0.0	Energy -0.8	Less foods and energy 0.1	-0.1 0.6	Trade -1.2	Transportation and warehousing -0.2	0.5	in final demand from 12 months ago (unadj.)	demand less foods, energy, and trade from 12 mo. ago (unadj.)
2023 Dec. 2024 Jan. Feb.	final demand -0.1 0.4 0.6	demand less foods, energy, and trade	-0.1 -0.1 1.1	Prods 0.0 -0.3 1.0	Energy -0.8 -1.1 3.9	Less foods and energy 0.1 0.3 0.3	-0.1 -0.6 0.3	Trade -1.2 0.1 0.3	Transportation and warehousing -0.2	0.5 0.9 0.3	in final demand from 12 months ago (unadj.)  1.1  1.0 1.6	demand less foods, energy, and trade from 12 mo. ago (unadj.)
2023 Dec. 2024 Jan. Feb. Mar.	-0.1 -0.1 0.4 0.6 0.0	demand less foods, energy, and trade 0.3	-0.1 -0.1 1.1 -0.2	Prods 0.0 -0.3 1.0 0.3	Energy -0.8 -1.1 3.9 -1.2	Less foods and energy 0.1 0.3 0.3	-0.1 -0.6 0.3 0.1	Trade -1.2 0.1 0.3 -0.4	Transportation and warehousing  -0.2  -0.2  1.2  0.2	0.5 0.9 0.3 0.3	in final demand from 12 months ago (unadj.)  1.1  1.0  1.6  2.0	demand less foods, energy, and trade from 12 mo. ago (unadj.)
Dec. 2024 Jan. Feb. Mar. Apr.	-0.1  -0.4  0.6  0.0  0.5	demand less foods, energy, and trade 0.3 0.6 0.4 0.2 0.5	-0.1 -0.1 1.1 -0.2 0.4	Foods  0.0  -0.3  1.0  0.3  -0.8	-0.8 -1.1 3.9 -1.2 1.8	Less foods and energy 0.1 0.3 0.3 0.0 0.3	-0.1 -0.6 0.3 0.1 0.6	Trade -1.2 0.1 0.3 -0.4 0.5	Transportation and warehousing  -0.2  -0.2  1.2  0.2  -0.5	0.5 0.9 0.3 0.3	in final demand from 12 months ago (unadj.)  1.1  1.0  1.6  2.0  2.3	demand less foods, energy, and trade from 12 2 2 2 2 2 2 3.4
Dec. 2024 Jan. Feb. Mar. Apr.	final demand -0.1 0.4 0.6 0.0 0.5	demand less foods, energy, and trade	-0.1 1.1 -0.2 0.4 -0.8	Foods  0.0  -0.3  1.0  0.3  -0.8  -0.1	-0.8 -1.1 3.9 -1.2 1.8 -4.6	Less foods and energy 0.1 0.3 0.3 0.0 0.3 0.2	-0.1  -0.6  0.3  0.1  0.6  0.4	Trade -1.2 0.1 0.3 -0.4 0.5 0.8	Transportation 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	in final demand from 12 months ago (unadj.)  1.1  1.0  1.6  2.0  2.3  2.5	demand less foods, energy, and trade from 12 mo. ago (unadj.)
Dec. 2024 Jan. Feb. Mar. Apr. May	final demand -0.1 0.4 0.6 0.0 0.5 0.0	demand less foods, energy, and trade	-0.1 -0.1 1.1 -0.2 0.4 -0.8	Foods  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	Less foods and energy  0.1  0.3  0.3  0.0  0.3  0.0  0.3  0.1	-0.1 -0.6 -0.3 -0.1 -0.6 -0.3 -0.1 -0.6 -0.7	Trade -1.2 0.1 0.3 -0.4 0.5 0.8 1.9	Transportation and warehousing  -0.2  -0.2  1.2  0.2  -0.5  -0.8  -0.1	0.5 0.9 0.3 0.3 0.7 0.3	in final demand from 12 months ago (unadj.)  1.1  1.0  1.6  2.0  2.3  2.5  2.9	demand less foods, energy, and trade from 12 mo. ago (unadj.)
Dec. 2024 Jan. Feb. Mar. Apr. May June July	-0.1  -0.4  -0.6  -0.0  0.5  0.0  0.4  0.04	demand less foods, energy, and trade 0.3 0.4 0.2 0.5 0.2 0.2 0.4 0.4 0.2 0.5 0.5 0.2 0.2 0.4 0.4 0.4 0.5 0.5 0.5 0.2 0.5 0.5 0.2 0.4 0.4 0.5 0.5 0.5 0.5 0.5 0.5 0.5 0.5 0.5 0.5	-0.1 1.1 -0.2 0.4 -0.8 -0.3	Foods  0.0  -0.3  1.0  0.3  -0.8  -0.1  0.1  0.6	-0.8 -1.1 3.9 -1.2 1.8 -4.6 -2.0 1.7	Less foods and energy  0.1  0.3  0.3  0.0  0.3  0.0  0.1  0.1	-0.1  0.6 0.3 0.1 0.6 0.4 0.7 -0.2	Trade -1.2 0.1 0.3 -0.4 0.5 0.8 1.9 -1.9	Transportation and warehousing  -0.2  -0.2  1.2  0.2  -0.5  -0.8  -0.1  1.2	0.5 0.9 0.3 0.3 0.7 0.3 0.3 0.3	in final demand from 12 months ago (unadj.)  1.1  1.0  1.6  2.3  2.5  2.9	demand less foods, energy, and trade from 12 mo. ago (unadj.)
Dec. 2024 Jan. Feb. Mar. Apr. May June July Aug.(1)	-0.1  -0.1  0.4  0.6  0.0  0.5  0.0  0.4  0.0  0.3	demand less foods, energy, and trade 0.3 0.4 0.5 0.5 0.2 0.2 0.4 0.2 0.5 0.2 0.2 0.4 0.2 0.2	-0.1 -0.1 1.1 -0.2 0.4 -0.8 -0.3 0.6	Foods  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	Less foods and energy 0.1 0.3 0.3 0.0 0.3 0.2 0.1 0.2 0.2 0.2	Total -0.1 0.6 0.3 0.1 0.6 0.4 0.7 -0.2 0.5	Trade -1.2 0.1 0.3 -0.4 0.5 0.8 1.9 -1.9 1.1	Transportation and warehousing  -0,2  -0,2  1,2  0,2  -0,5  -0,8  -0,1  1,2  -0,8	0.5 0.9 0.3 0.3 0.7 0.3 0.3 0.3	in final demand from 12 months ago (unadj.)  1.1  1.0  1.6  2.0  2.3  2.5  2.9  2.4	demand less foods, energy, and trade from 12 mo. ago (unadj.)
2023 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	demand less foods, energy, and trade 0.3 0.6 0.4 0.2 0.5 0.2 0.4 0.2 0.1	-0.1 -0.1 1.1 -0.2 0.4 -0.8 -0.3 0.6 0.0	Prods  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	Less foods and energy  0.1  0.3  0.3  0.0  0.3  0.0  0.1  0.2  0.1  0.2  0.2	Total -0.1 0.6 0.3 0.1 0.6 0.4 0.7 -0.2 0.5	Trade -1.2 0.1 0.3 -0.4 0.5 0.8 1.9 1.1 1.3	Transportation and warehousing  -0.2  -0.2  1.2  0.2  -0.5  -0.8  -0.1  1.2  -0.8  0.0	0.5 0.9 0.3 0.3 0.7 0.3 0.3 0.4 0.4	in final demand from 12 months ago (unadj.)  1.1  1.0  1.6  2.0  2.3  2.5  2.9  2.4  2.1	demand less foods, energy, and trade from 12 mo. ago (unadj.)



Ethan Brooks
Mortgage Advisor / Branch
Manager, Fairway
Mortgage
ethanbrooks.mortgage
M: (414) 488-0438

11220 W Burleigh St Wauwatosa WI 53222

1639987

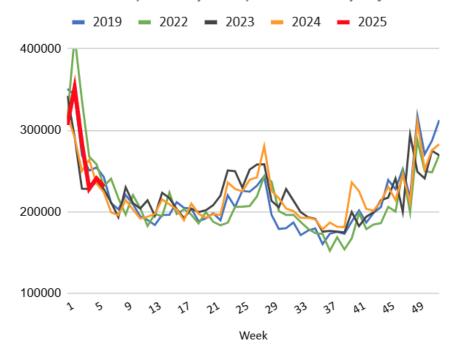


Meanwhile, the monthly change in January was not only on target, but also good news for the components that flow through to PCE inflation (which the Fed watches more closely).

	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 Expenditur							
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.

