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 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									-			
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		Final demand goods Previous re			lea		demand services		Change in final	Change in final demand less foods, energy,
		less									in final	
Month	Total final demand	foods, energy, and trade	Total	Foods	Energy	Less foods and energy	Total	Trade	Transportation and warehousing	Other	in final demand from 12 months ago (unadj.)	and trade from 12 mo. ago (unadj.)
Month 2023	final	foods, energy, and	Total	Foods	Energy	foods and	Total	Trade	and	Other	demand from 12 months ago	and trade from 12 mo. ago
	final	foods, energy, and	Total	Foods	Energy -0.8	foods and	Total	Trade	and	Other 0.5	demand from 12 months ago	and trade from 12 mo. ago
2023	final demand	foods, energy, and trade				foods and energy			and warehousing		demand from 12 months ago (unadj.)	and trade from 12 mo. ago (unadj.)
2023 Dec.	final demand	foods, energy, and trade				foods and energy			and warehousing		demand from 12 months ago (unadj.)	and trade from 12 mo. ago (unadj.)
2023 Dec. 2024	final demand -0.1	foods, energy, and trade 0.3	-0.1	0.0	-0.8	foods and energy 0.1	-0.1	-1.2	and warehousing -0.2	0.5	demand from 12 months ago (unadj.) 1.1	and trade from 12 mo. ago (unadj.) 2.7
2023 Dec. 2024 Jan.	final demand -0.1	foods, energy, and trade 0.3	-0.1	0.0	-0.8	foods and energy 0.1	-0.1	-1.2	and warehousing -0.2 -0.2	0.5	demand from 12 months ago (unadj.) 1.1	and trade from 12 mo. ago (unadj.) 2.7 2.7
2023 Dec. 2024 Jan. Feb.	final demand -0.1 0.4 0.6	foods, energy, and trade 0.3 0.6 0.4	-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	demand from 12 months ago (unadj.) 1.1 1.0 1.6	and trade from 12 mo. ago (unadj.) 2.7 2.7 2.8
2023 Dec. 2024 Jan. Feb. Mar.	final demand -0.1 0.4 0.6 0.0	foods, energy, and trade 0.3 0.6 0.6 0.4 0.2	-0.1 -0.1 1.1 -0.2	0.0 -0.3 1.0 0.3	-0.8 -1.1 3.9 -1.2	foods and energy 0.1 0.3 0.3 0.3 0.3	-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	demand from 12 months ago (unadj.) 1.1 1.0 1.6 2.0	and trade from 12 mo. ago (unadj.) 2.7 2.7 2.8 2.9
2023 Dec. 2024 Jan. Feb. Mar. Apr.	final demand -0.1 0.4 0.6 0.0 0.0 0.5	foods, 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 1.8	foods and energy 0.1 0.3 0.3 0.0 0.0 0.3	-0.1 0.6 0.3 0.1 0.6	-1.2 0.1 0.3 -0.4 0.5	and warehousing -0.2 -0.2 1.2 0.2 -0.5	0.5 0.9 0.3 0.3 0.7	demand from 12 months ago (unadj.) 1.1 1.0 1.6 2.0 2.3	and trade from 12 mo. ago (unadj.) 2.7 2.7 2.8 2.9 3.2
2023 Dec. 2024 Jan. Feb. Mar. Apr. May	final demand -0.1 0.4 0.6 0.0 0.5 0.5	foods, energy, and trade 0.3 0.6 0.4 0.2 0.5 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	foods and energy 0.1 0.3 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	and warehousing -0.2 -0.2 1.2 1.2 0.2 0.2 0.5 5 -0.8	0.5 0.9 0.3 0.3 0.7 0.3	demand from 12 months ago (unadj.) 1.1 1.0 1.0 1.6 2.0 2.3 2.5	and trade from 12 mo. ago (unadj.) 2.7 2.7 2.8 2.9 3.2 3.2 3.4
2023 Dec. 2024 Jan. Feb. Mar. Apr. May June	final demand -0.1 -0.1 -0.4 -0.6 -0.0 -0.5 -0.0 -0.5 -0.0 -0.4 -0.0 -0.4 -0.0 -0.1 -0.1 -0.1 -0.1 -0.1 -0.1 -0.1	foods, energy, and trade 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	0.0 -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	foods and energy 0,1 0,3 0,3 0,0 0,0 0,0 0,0 0,0 0,0 0,0 0,0	-0.1 0.6 0.3 0.1 0.6 0.4 0.7	-1.2 0.1 0.3 -0.4 0.5 0.8 1.9	and warehousing -0.2 -0.2 1.2 0.2 -0.2 -0.5 -0.8 -0.8 -0.1	0.5 0.9 0.3 0.3 0.7 0.3 0.3	demand from 12 months ago (unadj.) 1.1 1.0 1.0 1.6 2.0 2.3 2.5 2.9	and trade from 12 mo. ago (unadj.) 2.7 2.7 2.8 2.9 3.2 3.4 3.4 3.4
2023 Dec. 2024 Jan. Feb. Mar. Apr. May June July	final demand -0.1 -0.1 -0.4 -0.6 -0.0 -0.5 -0.0 -0.0 -0.0	foods, energy, and trade 0.3 0.3 0.3 0.3 0.4 0.2 0.2 0.2 0.2 0.2 0.2 0.2	-0.1 -0.1 1.1 -0.2 0.4 -0.8 -0.3 0.6	0.0 -0.3 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	foods and energy 0,1 0,3 0,3 0,0 0,0 0,0 0,0 0,0 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	and warehousing -0.2 -0.2 -0.2 -0.2 -0.2 -0.2 -0.2 -0.2	0.5 0.9 0.3 0.3 0.7 0.3 0.3 0.3 0.3	demand from 12 ago (unadj.) 1.1 0 1.0 0 1.0 0 2.0 0 2.0 0 2.0 0 2.0 0 2.0 0 2.0 0 2.0 0 2.0 0 2.0 0 2.0 0 0 0	and trade, from 12 mo. ago (unadj.) 2.7 2.7 2.7 2.8 2.9 3.2 3.4 3.4 3.5
2023 Dec. 2024 Jan. Feb. Mar. Apr. May June July Aug.(1)	final demand -0.1 -0.1 -0.4 -0.6 -0.0 -0.5 -0.0 -0.5 -0.0 -0.4 -0.0 -0.4 -0.0 -0.1 -0.1 -0.1 -0.1 -0.1 -0.1 -0.1	foods, energy, and trade 0.3 0.5 0.4 0.5 0.2 0.5 0.2 0.2 0.2 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 -1.1 3.9 -1.2 1.8 -4.6 -2.0 1.7 -1.0	foods and energy 0,1 0,3 0,3 0,0 0,0 0,0 0,0 0,0 0,0 0,0 0,0	-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	and warehousing -0.2 -0.2 -0.2 -0.2 -0.5 -0.2 -0.5 -0.1 1.2 -0.8	0.5 0.9 0.3 0.3 0.3 0.3 0.3 0.3 0.4 0.4	demand from 12 ago (unadj.) 1.1 1.1 1.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	and trade, from 12 mo. ago (unadj.) 2.7 2.7 2.7 2.7 2.7 2.7 2.7 2.7 2.7 2.7
2023 Dec. 2024 Jan. Feb. Mar. Apr. June June July Aug.(1) Sept.(1)	final demand -0.1 -0.1 -0.1 -0.1 -0.0 -0.4 -0.0 -0.4 -0.0 -0.4 -0.0 -0.4 -0.0 -0.2 -0.2	foods, energy, and trade 0.3 0.3 0.6 0.4 0.4 0.2 0.5 0.2 0.2 0.2 0.4 0.4 0.2 0.2 0.2 0.2 0.2 0.4 0.2 0.2 0.2 0.2 0.2 0.2 0.2 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	0.0 -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	foods and energy 0.1 0.3 0.3 0.3 0.0 0.3 0.0 0.3 0.0 0.1 0.2 0.2 0.2 0.1	-0.1 0.6 0.3 0.1 0.6 0.4 0.7 -0.2 0.5 0.5	-1.2 0.1 0.3 -0.4 0.5 0.8 1.9 -1.9 1.1 1.3	and warehousing -0.2 -0.2 -0.2 -0.2 -0.2 -0.2 -0.5 -0.8 -0.1 -0.8 -0.1 -0.8 -0.8 -0.1	0.5 0.9 0.3 0.3 0.3 0.3 0.3 0.3 0.3 0.4 0.4 0.4	demand from 12 ago (unadj.) 1.1 1.0 1.0 1.0 1.0 1.0 1.0 1.0 1.0 1.0	and trade from 12 mo. ago (unadj.) 2.7 2.7 2.8 2.9 3.2 2.9 3.2 3.4 3.4 3.4 3.5 5.3,5 3.3

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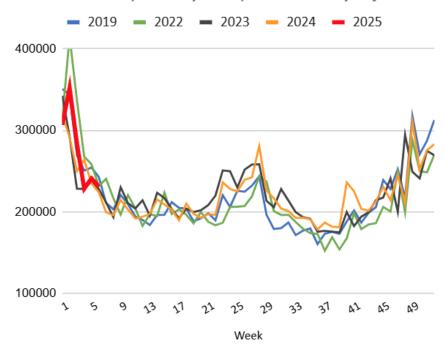
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Meanwhile, the monthly change in January was not only on target, but also good news for the components that flow through to PCE inflation (which the Fed watches more closely).

	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.



Jobless Claims, Week by Week, Not Seasonally Adjusted

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

