## 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
			Total	Cur	rent	rele	ase	Trade	Transportation and warehousing	Other	Change in final demand from 12 months ago (unadj.)	less foods, energy, and trade from 12 mo. ago (unadj.)
				Foods	Energy	Less foods and energy	Total					
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	0.5	0.1	0.5	0.1	4.4	0.0	0.5	0.0	2.5	0.5	5.5	0.0
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	Total final demand	Final	Final demand goods  Previous			is re	Final demand services				Change	Change in final demand less foods,
		demand	Total	FIL	SVIO	15 1 0	ica:	30		Other	in final	energy, and trade from 12 mo. ago (unadj.)
	final	less foods, energy, and trade	Total	Foods	Energy	Less foods and energy	Total	Trade	Transportation and warehousing	Other	demand from 12 months ago (unadj.)	trade from 12 mo. ago
2023	final demand	foods, energy, and trade				foods and energy			and warehousing		from 12 months ago (unadj.)	trade from 12 mo. ago (unadj.)
2023 Dec.	final	foods, energy, and	Total	Foods	Energy -0.8	foods and	Total	Trade	and	Other	from 12 months ago	trade from 12 mo. ago
2023 Dec. 2024	final demand -0.1	foods, energy, and trade	-0.1	0.0	-0.8	foods and energy	-0.1	-1.2	and warehousing -0.2	0.5	from 12 months ago (unadj.)	trade from 12 mo. ago (unadj.)
Dec. 2024 Jan.	final demand -0.1	foods, 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	trade from 12 mo. ago (unadj.)
Dec. 2024 Jan. Feb.	-0.1 -0.4 0.6	foods, energy, and trade 0.3	-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	trade from 12 mo. ago (unadj.) 2.7 2.8
Dec. 2024 Jan.	-0.1 -0.1 0.4 0.6 0.0	foods, 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 -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	trade from 12 mo. ago (unadj.) 2.7 2.8 2.9
Dec. 2024 Jan. Feb. Mar.	-0.1 0.4 0.6 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	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 1.2 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	trade from 12 mo. ago (unadj.) 2.7 2.8 2.9 3.2
Dec. 2024 Jan. Feb. Mar.	-0.1 -0.1 0.4 0.6 0.0	foods, energy, and trade 0.3 0.6 0.4 0.2	-0.1 -0.1 1.1 -0.2	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	-0.1 0.6 0.3 0.1	-1.2 0.1 0.3 -0.4	and warehousing -0.2 -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	trade from 12 mo. ago (unadj.) 2.7 2.8 2.9 3.2
Dec. 2024 Jan. Feb. Mar.	-0.1 0.4 0.6 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	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 1.2 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	trade from 12 mo. ago (unadj.) 2.7 2.8 2.9 3.2 3.4
Dec. 2024 Jan. Feb. Mar. Apr.	final demand -0.1 0.4 0.6 0.0 0.5	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	trade from 12 mo. ago (unadj.) 2.7 2.8 2.9 3.2 3.4 3.4
Dec. 2024 Jan. Feb. Mar. Apr. May	final demand -0.1 0.4 0.6 0.0 0.5 0.0	0.3 0.6 0.4 0.2 0.5 0.2	-0.1 -0.1 1.1 -0.2 0.4 -0.8 -0.3	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	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	from 12 months ago (unadj.) 1.1 1.0 1.6 2.0 2.3 2.5 2.9	trade 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	-0.1  -0.4  0.6  0.0  0.5  0.0  0.4  0.0	foods, energy, and trade  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	0.0 -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	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	from 12 months ago (unadj.)  1.1  1.0  1.6  2.0  2.3  2.5  2.9  2.4	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	foods, energy, and trade  0.3  0.6  0.4  0.2  0.5  0.2  0.4  0.2  0.5  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	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	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 0.4	from 12 months ago (unadj.)  1.1  1.0  1.6  2.0  2.3  2.5  2.9  2.4  2.1	trade from 12 mo. ago (unadj.) 2.7 2.8 2.9 3.2 3.4 3.4 3.5 3.5
Dec. Dec. 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	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	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 0.2	-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	and warehousing  -0.2  -0.2  1.2  0.2  -0.5  -0.8  -0.1  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	from 12 months ago (unadj.)  1.1  1.0  1.0  2.0  2.3  2.5  2.9  2.9  2.4  2.1	trade from 12 mo. ago (unadj.) 2.7 2.8 2.9 3.4 3.4,3,5,5 3.5

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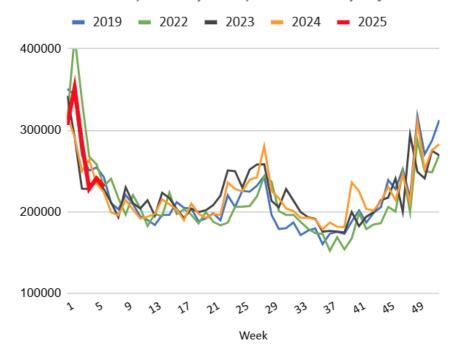


Meanwhile, the monthly change in January was not only on target, but also good news for the components that flow through to PCE inflation (which the Fed watches more closely).

	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.

