

## UPDATE: Mixed Reaction After CPI Comes in Lower

- Core M/M CPI
  - 0.2 vs 0.3 f'cast. 0.5 prev
  - unrounded 0.2266
- Core Y/Y CPI
  - 3.1 vs 3.2 f'cast, 3.3 prev

While the upward revision to January (a whopping 0.5, month over month) won't do any favors for progress toward a 2.0% annual target, the market was initially more interested in month-over-month numbers. The news is better there with the 0.2 vs 0.3, and only a modest overshoot on the unrounded number.

Annualized changes over the past 3 and 6 months are now tracking 3.6% core inflation--a far cry from the 2.0% target. This could be contributing to indecision and a reversal of the initial gains.

MBS are down 3 ticks and 10yr yields are up 3.7bps at 4.318.

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