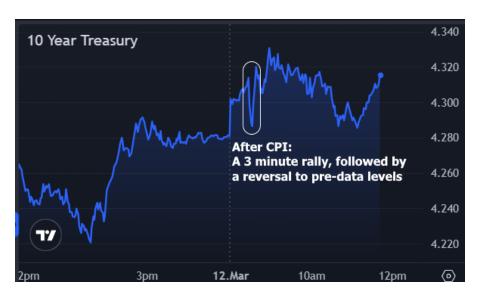
MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

The Day Ahead: Why Aren't Bonds Happier About CPI?

Today's CPI came in lower than expected. That would normally help bonds rally, but they didn't seem too eager to do that. One explanation is that the components of CPI that have a bearing on PCE suggest PCE will be higher than previously expected. While we don't usually see PCE move markets as much as CPI, that's because PCE is much easier to forecast after CPI and PPI come out. As far as the Fed is concerned, PCE has the final say when it comes to measuring progress toward 2% inflation. As such, if today's CPI says that PCE (2 weeks from now) looks like it will be higher than previously expected, the implication is for bond market weakness as opposed to strength.





Dan Clifton NMLS #284174 Managing

Member, Mortgage Loan Originator and Mortgage Guru, Clifton Mortgage Services, LLC

CliftonMortgageServices.com
P: (888) 681-0777 x1001
M: (407) 252-3039
dan@cliftonmortgageservices.com

1177 Louisiana Ave Winter Park FL 32789 NMLS #852745





