

MBS & TREASURY MARKETS

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UPDATE: CPI Drops Sharply. Bonds Adding to Overnight Rally

- Core MM CPI
 - 0.1 vs 0.3 f'cast, 0.2 prev
 - unrounded 0.057
- Core YY CPI
 - 2.7 vs 3.0 f'cast, 3.1 prev
- MM Headline CPI
 - -0.1 vs 0.1 f'cast, 0.2 prev

A typical beat/miss in monthly CPI consists of a 0.1 deviation from expectations. 0.2 is less common and is a bittersweet victory for bonds in light of inflation that may be yet to come due to tariffs. That's the concept that explains why bonds aren't experiencing a tremendous rally on this news.

Yields were already lower overnight and have added only modestly to those gains following the data. MBS are up 5 ticks (.16) and 10yr yields are down 5.3bps at 4.300.



**Sandro Pansini
Souza**

Branch Manager, Beyond
Financing, Inc.

www.beyondfinancing.com

M: (857) 615-0836

57 Walden Ave
Saugus MA 01906

LOAN OFFICER NMLS#1625542
COMPANY NMLS#2394496



Beyond Financing, Inc.