

# MBS & TREASURY MARKETS

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## UPDATE: CPI Comes in Lower. Bonds Aren't Mad

- Monthly Core CPI
  - 0.237 vs 0.3 f'cast, 0.1 prev
- Annual Core CPI
  - 2.8 vs 2.8 f'cast, 2.8 prev

The market wasn't expecting fireworks from today's CPI and despite a brief, initial reaction, that looks like a fair assessment. Had these numbers arrived without the tariff backdrop, the case for a Fed rate cut would be building, but not so much as to be a no-brainer. After all, monthly CPI needs to be averaging 0.17, and 0.237 is higher than that.

One could also note 6 month annualized CPI at 3.0% is higher than 2.0% to make a strong case against rate cuts.

But back to the bond reaction... 10s were down just over 2bps before the data and are down 2.6bps now at 4.445. MBS are up an eighth of a point. Stocks rallied back to yesterday's highs on the news, but have paused there for the moment.

### Wayne Tucker

Spectra Mortgage Corporation

[www.spectramortgage.com](http://www.spectramortgage.com)

**P:** (303) 468-1985

**M:** (303) 884-4446

[wtucker@spectramortgage.com](mailto:wtucker@spectramortgage.com)

3900 SWadsworth  
Lakewood CO 80235

NMLS#:298382, Colorado #:  
MLO100009851

Spectra Mortgage Corporation  
NMLS License: 387483

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